

# COVID 19 – SMME Interventions

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The COVID - 19 National State of Disaster, and subsequent lockdown has had the result of adversely effecting many businesses who have had to cease activities or undergo a temporary shutdown.

The South African economy relies heavily on the activity of small, medium and micro enterprises (SMME). However, it is no secret that the knock-on effects of this will be insurmountable for many businesses in South Africa.

This unprecedented occurrence brings with it many unknowns for industries, businesses, employee's and individuals alike. This information sheet will focus on the relief or reprieve which is available to SMME's.

In response to the temporary shutdown of certain SMME's, the South African Department of Small Business Development announced the intervention measures which will be available to SMME's that are negatively affected by the Covid-19 pandemic and have had to consequently shutdown their business operations.

The Department introduced two key programmes, which it has made available, known as [SMME Debt Finance Relief Scheme](#) and the [SMME Business Growth Facility](#) which will be discussed individually hereinbelow.

The Debt Finance Relief Scheme is available for small businesses that have been negatively affected by the Covid-19 pandemic either directly or indirectly. By contrast the SMME Business Growth Facility is available for SMME's geared to take advantage of supply opportunities resulting from the Covid-19 pandemic or shortage of goods in the local market.

## **[SMME Debt Finance Relief Scheme:](#)**

### **Qualification Criteria:**

- The business must have been registered with CIPC by at least 28 February 2020;
- The 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;
- Be registered and compliant with SARS and UIF;
- For non-compliant Micro enterprises SEDA will assist micro-enterprises to comply and request for assistance must be emailed to [debtrelief@seda.org.za](mailto:debtrelief@seda.org.za);
- Whereas small and medium enterprises must ensure own compliance;
- Registration on the National SMME Database – <http://www.smmesa.gov.za>;
- 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, a 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 the application of funds including salaries, rent, etc.

### **Application Process:**

- Register on <https://smmesa.gov.za/>
- Complete online [Application Form](#).
- Upload Required Supporting Documents as mentioned above.

## **[SMME Business Growth Facility:](#)**

### **Qualification Criteria:**

- The business must have been registered with CIPC by at least 28 February 2020;

- The 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;
- Be registered and compliant with SARS and UIF;
- For non-compliant Micro enterprises SEDA will assist micro-enterprises to comply and request for assistance must be emailed to [growthfund@seda.org.za](mailto:growthfund@seda.org.za);
- Whereas small and medium enterprises must ensure own compliance;
- Registration on the National SMME Database – <http://www.smmea.gov.za>;
- Complete the simplified online application form available on [dsbd.gov.za](http://dsbd.gov.za); [www.sefa.org.za](http://www.sefa.org.za); [www.seda.org.za](http://www.seda.org.za);
- CIPCA Registration Documents;
- FICA documents (e.g. Municipal accounts, a 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;
- Relevant Industry Certification – where applicable;
- Estimations for funding requested.

#### **Application Process:**

- Register on <https://smmea.gov.za/>;
- Complete online [Application Form](#).
- Upload Required Supporting Documents as mentioned above.

#### **Tourism Relief Fund:**

Categories eligible to apply for the Tourism Relief Fund include the following:

- Accommodation establishments: Hotels; Resort properties; Bed and Breakfast (B&B's); Guest houses; Lodges and Backpackers;
- Hospitality and related services: Restaurants (not attached to hotels); Conference venues (not attached to hotels), Professional catering and Attractions;
- Travel and related services: Tour operators; Travel agents; Tourist guiding; Car rental companies; and Coach Operators.

Visit the Department of Tourism website [www.tourism.gov.za](http://www.tourism.gov.za) for comprehensive information on the Fund terms and qualifying criteria.

SMME's can submit funding applications by completing a form accessible online at [www.tourism.gov.za/Pages/COVID19tourismrelieffund.aspx](http://www.tourism.gov.za/Pages/COVID19tourismrelieffund.aspx)

Inquiries on the fund can be emailed to [callcentre@tourism.gov.za](mailto:callcentre@tourism.gov.za) or [covidrelief@tourism.gov.za](mailto:covidrelief@tourism.gov.za).

Alternatively contact the Department of Tourism call centre telephonically on 0860 TOURISM (868 747) weekdays from 08:00 – 22:00

#### **Tax measures to combat the COVID-19 pandemic:**

Government has also implemented interventions to assist with job retention and assist businesses that may be experiencing significant distress. These measures include:

- The introduction of a tax subsidy to employers 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;
- The South African Revenue Service to accelerate 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 R50 million or less will be allowed to delay 20% of their employees' tax 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.

The above measures will be given legal effect in terms of two bills to be tabled when Parliament re-convenes later this year for retrospective enactment. These bills are the Disaster Management Tax Relief Bill and the Disaster Management Tax Relief Administration Bill. The draft bills alongside their draft explanatory memorandum, will be published for public comment on the National Treasury and SARS websites by 1 April 2020.

Together with the Commissioner of SARS, National Treasury will also be considering additional exceptional adjustments to assist with COVID-19 relief efforts and to the tax treatment of newly formed funds in this regard.

The draft explanatory notes regarding the COVID-19 tax measures can be found on the National Treasury ([www.treasury.gov.za](http://www.treasury.gov.za)) and SARS ([www.sars.gov.za](http://www.sars.gov.za)) websites. Comments on the draft explanatory notes can be made to [2020AnnexCProp@treasury.gov.za](mailto:2020AnnexCProp@treasury.gov.za).

#### **Proposal to expand Employment Tax Incentive programme:**

In order to minimise the loss of jobs during this critical period, Government has proposed expanding the ETI programme for a limited period of four months, beginning 1 April 2020 and ending on 31 July 2020 as follows:

- Increasing the maximum amount of ETI claimable during this four-month period for employees eligible under the current ETI Act from R1 000 to R1 500 in the first qualifying twelve months and from R500 to R1 000 in the second twelve qualifying months.
- Allowing a monthly ETI claim in the amount of R500 during this four-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 employment tax incentive reimbursements from twice a year to monthly as a means of getting cash into the hands of tax compliant employers as soon as possible.

This expansion will, however, only apply to employers that were registered with SARS as at 1 March 2020. Further to the above, the current compliance requirements for employers under Sections 8 and 10(4) of the ETI Act will continue to apply.

#### **Proposal of deferral of the payment of employees' tax liability for tax compliant small to medium sized businesses:**

Tax measures for tax compliant small to medium sized businesses, for a limited period of four months, beginning 1 April 2020 and ending on 31 July 2020:

- Deferral of payment of 20% of the PAYE liability, without SARS imposing administrative penalties and interest for the late payment thereof;
- The deferred PAYE liability must be paid to SARS in equal instalments over the six month period commencing on 1 August 2020, i.e. the first payment must be made on 7 September 2020;
- For the purposes of this proposal, small or medium sized business is defined to mean any business with an annual turnover not exceeding R50 million.

The above-mentioned proposals will not apply to an employer or representative employer that:

- has failed to submit any return as defined in Section 1 of the Tax Administration Act, 2011 (TAA) on the basis required by Section 25 of the TAA; or
- has any outstanding tax debt as defined in Section 1 of the TAA, but excluding a tax debt in respect of which an agreement has been entered into in accordance with Section 167 or 204 of the TAA;
- that has been suspended in terms of Section 164 of the TAA; or
- that does not exceed the amount referred to in Section 169(4) of the TAA.

However, interest and penalties will apply if the employer has understated the PAYE liability for any of the four months.

#### **Proposal of deferral of the payment of provisional tax liability for tax compliant small to medium sized businesses**

Government has proposed the following tax measures for tax compliant small to medium sized businesses, for a period of twelve months, beginning 1 April 2020 and ending on 31 March 2021:

- Deferral of a portion of the payment of the first and second provisional tax liability to SARS, without SARS imposing administrative penalties and interest for the late payment of the deferred amount;
- The first provisional tax payment due from 1 April 2020 to 30 September 2020 will be based on 15 percent of the estimated total tax liability, while the second provisional tax payment from 1 April 2020 to 31 March 2021 will be based on 65 percent of the estimated total tax liability;
- Provisional taxpayers with deferred payments will be required to pay the full tax liability when making the third provisional tax payment in order to avoid interest charges.

For the purposes of this proposal, "SMME"s are defined as any company conducting a trade with an annual turnover not exceeding R50 million.

The eligibility criteria for individuals carrying on a business have yet to be finalised, but one possibility is that they will be eligible if their turnover is less than R5 million and no more than 10 per cent of their turnover is derived from interest, dividends, foreign dividends, rental from letting fixed property and any remuneration received from an employer.

The above-mentioned proposals will not apply to a provisional taxpayer that:

- has failed to submit any return as defined in Section 1 of the Tax Administration Act, 2011 (TAA) as required by Section 25 of the TAA; or
- has any outstanding tax debt as defined in Section 1 of the TAA, but excluding a tax debt in respect of which an agreement has been entered into in accordance with Section 167 or 204 of the TAA;
- that has been suspended in terms of Section 164 of the TAA; or
- that does not exceed the amount referred to in Section 169(4) of the TAA.

However, interest and penalties will apply in instances where, upon assessment, it is discovered that a taxpayer does not qualify for relief under the proposed amendments.

Apart from Government's initiatives and programmes, a small group of private patriots have begun individual campaigns to assist businesses during these trying times. The following alternative/ancillary options are available to SMME's:

### **Sukuma Relief Programme:**

Through Business Partners Limited, the Sukuma Relief Programme which is dedicated to the financial assistance and aid for small and medium enterprises (SME's) which have been negatively impacted by COVID-19.

The Sukuma Relief Programme offers distinct and separate financial aid to formal sole proprietors and close corporations, companies, and trusts in the form of loans.

For close corporations, companies, and trusts, the programme offers financial aid in the form of an unsecured interest-bearing loan of between R250, 000 and R1 million coupled with a non-repayable grant of R25, 000 per qualifying business.

The loan portion will be interest free for 12 months with no repayment obligations during this period. The loan is repayable after 12 months, and incurs interest at the prime rate from month 13, once the business is on its feet. The money can be used to cover payroll, rental, and other monthly operating overheads. There is no security requirement for the loan.

Once approved, your first pay-out will be made within 7 working days of your application. Thereafter, your approved financial aid will be disbursed over a period of 3 months, subject to you submitting documents monthly which support your continued need for financial aid.

Applications are exclusively online and subject to certain requirements.

### **Qualification Criteria:**

To qualify for financial aid, the business must:

- Be formally registered;
- Provide evidence of financial viability prior to the COVID-19 outbreak; and
- Be both tax and regulatory compliant.

Applicants are required to submit the following documents and information with their application:

- Annual financial statements for the financial period ended 28 February 2019, signed off by a professional accountant;
- Management accounts for the period 01 March 2019 until at least 31 December 2019;
- The latest available EMP201 document submitted to SARS, not older than 3 months;
- 3 months' bank statements of the business for the period 01 December 2019 to 29 February 2020 to assess operations before the lockdown;
- A rental (premises) statement, not older than 3 months;
- The statements for any other credit agreements such as asset finance or trade finance loan agreements as at 31 January 2020;
- Motivation and supporting documentation clearly illustrating the financial distress suffered by the SME as a result of the COVID-19 outbreak.

(The motivation can cover the following information: Reduction in turnover; Erosion of working capital; Inability or difficulty to pay wages and preserve jobs; Inability to pay rent; Inability to pay for other overheads; Inability or difficulty in servicing existing debt obligations; or all of the above)

- Statement of assets and liabilities for the main business owner;
- Copies of identity documents of all directors, shareholders, members, and trustees as applicable;
- Copy of marriage certificate including ANC contract, divorce certificate, or death certificate - where applicable
- Copy of registration certificate;
- Copy of memorandum of incorporation;
- Copy of the company's share register;
- Close corporation - Founding statement;
- Trust documents - Copy of the trust deed, copy of the Master's Authority Certificate, copy of IDs of all trustees;
- Confirmation of bank account details issued by the relevant bank.

The relief should be used to cover payroll, rental, and other monthly operating overheads of the business. Although any person with multiple businesses may apply with respects to each business, priority will be given to supporting as many individual business owners as possible.

As of date of publication, the Sukuma Relief Programme had been temporarily suspended due to the large influx of applications. The application process is therefore temporarily closed online, pending the processing of a backlog. Applicants are still encouraged to go online and submit their contact information so as to enable the organisation to inform them of the reopening of the programme.

### **National Empowerment Fund Covid-19 Black Business Funding Solution:**

The National Empowerment Fund has established a fund for businesses with a 50% or more Black shareholding and management control who are geared towards the manufacturing of various medical and food supplies/production.

The fund is limited to R10 million per applicant to be used for working capital, machinery and equipment with a 12-month moratorium placed on interest after which interest at a rate of 2.5% will be levied. The maximum term for the loan will be 60 months inclusive of the initial 12-month period and the loan must be drawn down within the first month of the approval date.

**Qualification Criteria:**

- Be a registered legal entity in South Africa in terms of the Companies Act, 2008 (as amended); the Close Corporations Act, 1984 or the Co-operatives Act, 2005;
- Be a taxpayer in good standing with a valid tax clearance certificate at assessment as well as before the loan is disbursed;
- Be a current and registered supplier with retailers and other institutions in good standing or have a purchase order/ contract/ letter of intent;
- Require working capital or funds to purchase machinery and equipment;
- The fund WILL NOT service any pre-existing debt or help settle monies owed;
- Have greater than fifty percent (>50%) Black shareholding and management control. Must be directly involved in the day-to-day running of the operation and must have requisite expertise in the sector. Owned by black South Africans as defined by the Broad-Based Black Economic Empowerment (B-BBEE) Act;
- In line with the NEF's transformation mandate, preference will be given to applications that demonstrate meaningful black women ownership, management and control;
- Have a project with a minimum requirement of R500 000 in working capital, machinery and equipment;
- Must result in retaining or increasing direct jobs;
- Submission of all relevant documents for commercially viable applications.
- Must be in the business of supply or production of the following products:
  - Disposable Plastic Gloves and Face Masks;
  - Water, Soap & Sanitiser Dispensers;
  - Maize Meal;
  - PCR Test Kits for Coronavirus;
  - Protective Respirators;
  - Flour;
  - Yeast;
  - Toilet Paper;
  - Disinfectants and Alcohol-Based Wipes;
  - Medical Protective Clothing;
  - Steel Beds for Hospitals and Clinics;
  - Milk;
  - Protective Goggles and Protective Hoods/Face Shields;
  - Cooking Oil;
  - Fruits: Oranges, Nartjies, Lemons (Vitamin C)
  - Chicken;
  - Hospital Linen and Clothing;
  - Hand Sanitisers and Soaps;
  - Samp;
  - Beans;
  - Sterile and Unsterile Hospital Utensils;
  - Baby Food;
  - Margarine and Bread Spread;
  - Vegetables: Yellow Veggies, Potatoes / Sweet Potatoes, Cabbages, Spinach, Morogo, Tomatoes, Beetroot and Corn;
  - Water;
  - Disposable Aprons and Cups; and

**Relevant Documents:**

- Declaration on BEE status and size of business.
- NEF application form (accessible on NEF website: [nefcorp.co.za](http://nefcorp.co.za)).
- Summary of production in the last 3 months.
- Copy of the historical financial statements (up to 3 years if available).
- Signed copy of the contract, purchase order or letter of intent from the applicant's client/s.
- Financial forecast for the duration of the contract, order, or letter of intent. The forecast should include income statement, cash flow statement and balance sheet for the duration of the funding.
- Additional information that would be necessary to enhance the application may be requested by the NEF as and when deemed necessary.

**South African Future Trust:**

The South African Future Trust, in partnership with South Africa's big four banks, namely ABSA, FirstRand Bank, Nedbank, and Standard Bank has made available loans to employees that meet a pre-defined criteria for eligibility.

Loans are extended to clients of the big four banks whose businesses were financially stable before the Covid-19 crisis.

The employer will apply for the scheme via its preferred banking partner and provide a list on names of employees who at risk due to Covid-19. The employer must be an SMME and an existing client of the bank applied to.

Supporting documentation must be submitted on behalf of the employees of the SMME. The employee's will then receive funds directly from the partner bank and the employer will pay back the principal loan to the South African Future Trust, interest free within five years.

**Qualification Criteria:**

- Existing client of one of the Partner Banks;
- Annual turnover below R25m per annum;
- Trading for at least 24 months;
- Sustainable business at 29 February 2020; and
- Demonstrate business has been adversely affected by Covid-19.

**Documentation Required:**

- Registration number (if a company or a close corporation) or its Master's reference number (if a trust) or identity number and business address (if a sole proprietor);
- PAYE number (if applicable);
- Income tax number;
- The following information in respect of each Qualifying Employee:
  - o Full name;
  - o Identity number;
  - o Contact details;
  - o Bank account details;
  - o Confirmation from SMME that each Qualifying Employee was a permanent employee on 29 February 2020.

The loans will be made during the relief period (15 weeks from 3 April 2020), or shorter period subject to availability of funds. Loans will be made on a first-come-first-served basis.

**Disclaimer:** In light of the rapid pace of change during these uncertain times, the information contained herein is subject to change. Readers are warned that the above programmes/initiatives or schemes may only be made available for a limited period of time. Requirements are everchanging. LabourSmart shall bear no responsibility for the accuracy of the information contained herein.

*Sashin Naidoo (BA Law, LLB) is an Attorney at **Johanette Rheeder Incorporated** and provides a consulting service to LabourSmart Pty Ltd.*

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