



BELGIAN  
CHAMBER OF  
COMMERCE  
for SOUTHERN AFRICA



FRENCH SOUTH AFRICAN CHAMBER  
OF COMMERCE AND INDUSTRY

Co-Hosted Webinar  
**'Covid-19 Business Defence Approach'**

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*In partnership with*



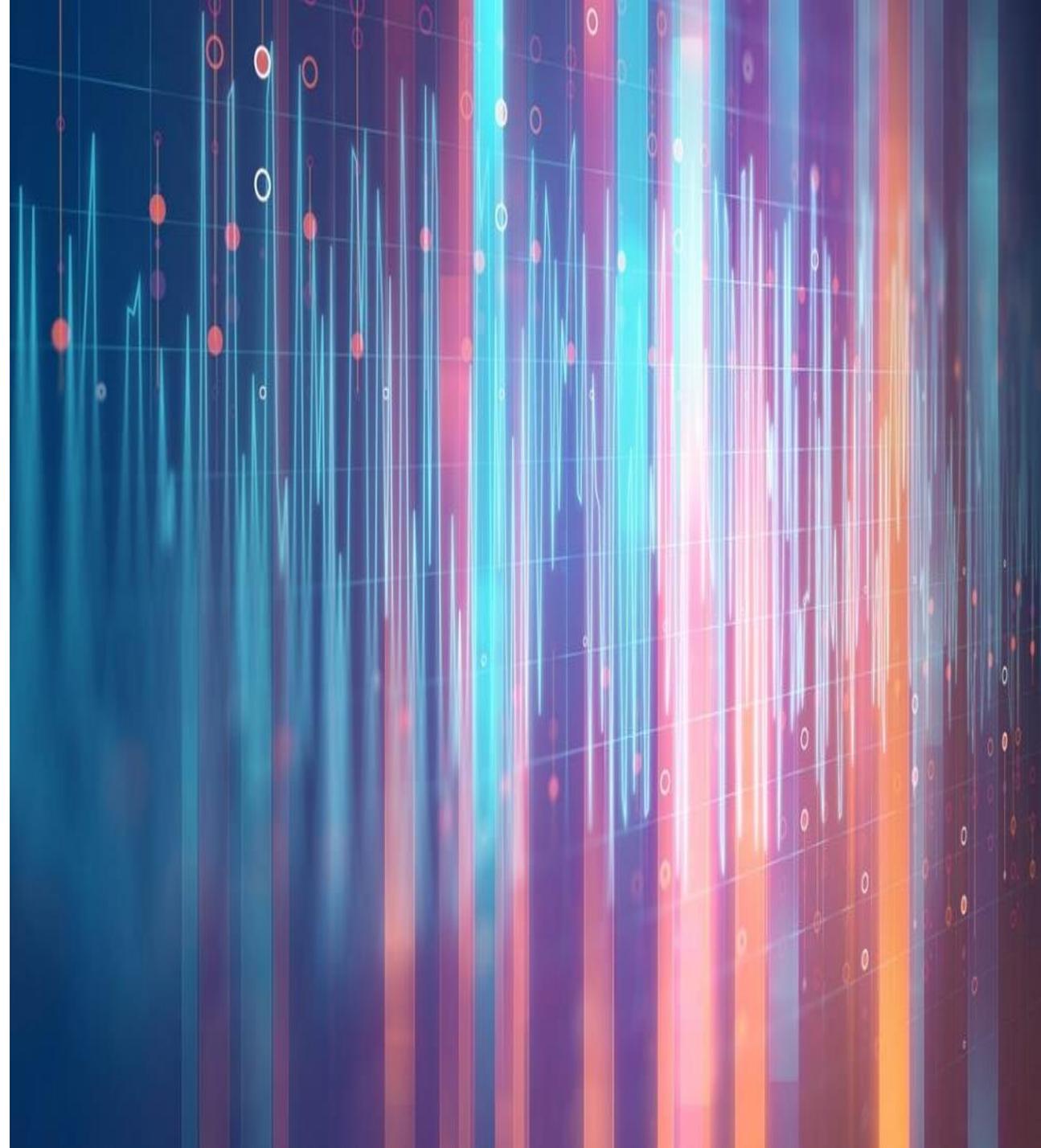
[PPT Presentation]





**COVID-19 BUSINESS DEFENCE APPROACH**

1. INTRODUCTION
2. OVERVIEW OF RELIEF OPTIONS AVAILABLE TO SMMES
3. TAX RELIEF FOR BUSINESSES IN RESPONSE TO THE COVID-19 STATE OF DISASTER.
4. COST REDUCTION SCENARIO'S TO ADDRESS THE CASH GAP
5. CONCLUSION AND Q&A





**EMPLOYEES**



**EMPLOYER**



**TAX RELIEF**

## INITIATIVE



- Companies that are in distress because of COVID-19 will receive wage payment through the **Temporary Employee Relief Scheme**, which will enable companies to pay employees directly during this period and avoid retrenchment.
- Administrated through the UIF.
- Employer to report their closure by email to [Covid19ters@labour.gov.za](mailto:Covid19ters@labour.gov.za)
- **Fund:** R40 Billion.

## AIMED AT



- Employers and employees who contribute to the UIF.
- Size of the employer's workforce does not matter. Special provisions apply to employers with fewer than 10 employees.
- Employees not paid by the UIF directly, but by their employer or the applicable bargaining council. Only exception - employer employs fewer than 10 employees.
- The benefit may only cover the cost of salaries during the closure – it may not be used for other purposes.
- Minimum benefit is R3,500 pm regardless of sector minimum wage. Maximum R6 730 based on maximum threshold amount of R17 712 per employee, as per income replacement sliding scale (38% -60%) .

## KEY CRITERIA



- The employer must have closed its operations, or part of its operations, as a direct result of the Covid-19 pandemic, for a period of three (3) months or less.
- Employee suffered loss of income as a result of the temporary closure by the employer and were in employment prior to the commencement of the national lockdown.

### *Special Mention:*

- Employers no longer required to open a dedicated UIF bank account which must be separate from its business account.
- Employer must pay its employees their benefits within two days of receiving the funds from the UIF.
- Must keep all accounting records relating to the MoA and the COVID-19 benefit for 5 years.

## INITIATIVE



- UIF Benefit resulting from employers who has reduced working hours, illness or death.
- *UIF Act -S12 (1B) A contributor employed in any sector who loses his or her income due to reduced working time, despite still being employed, is entitled to benefits if the contributor's total income falls below the benefit level that the contributor would have received if he or she had become wholly unemployed, subject to that contributor having enough credits.*
- *UIF Act S20. Right to illness benefits and S30 - Right to dependent benefits (Death Benefit).*

## AIMED AT



- Employers and employees who contribute to the UIF.
- Employees have to apply in personal capacity.
- The loss of income may be claimed under UIF benefits.
- Can only claim the difference of benefit less what the employer pays.

## KEY CRITERIA



- Requirements are set out in an Easy-Aid-Guide developed by the department of Employment and Labour.
- The contributor is unable to perform work on account of illness;
- The contributor fulfils any prescribed requirements in respect of any specified illness; and
- Application is made for illness benefits in accordance with the prescribed requirements and provisions.

### *Special Mention:*

- Can only apply via TERS or normal UIF process, not both.
- Employees who will be working and might fall ill through **exposure at their workplace**, will be paid through the Compensation Fund.

## INITIATIVE



- **Independent trust** set up by the Oppenheimers, in partnership with the South African government and private sector to fund SMME employees that meet pre-defined eligibility criteria and conditions. Loans will be extended to eligible SMMEs on a **first-come-first-served basis**.
- Eligible SMME employers apply for the scheme via their preferred partner bank and provide a list of names of employees “at risk” due to COVID-19. The SMME must be an existing client of the partner bank in order to apply.
- Partner Banks: ABSA, FNB, Mercantile Bank, Nedbank and Standard Bank.
- **Fund:** R1 Billion.

## AIMED AT



- Employees of participating SMMEs, via interest-free loans where employees themselves carry no liability.
- Aim is to enable SMMEs to significantly reduce their cash outgoings and continue operations during this time of crisis, while retaining their employees.
- Permanent employees of the qualifying SMMEs will receive weekly payments of R750 per employee over 15 weeks (i.e. R11,250 in total per employee) and the full amount of the loan will be a function of the number of permanent employees on the SMME’s payroll

## KEY CRITERIA



Criteria may differ among the Partner Banks but generally:

- Be able to prove the current or future impact of COVID-19 on your operations.
- Have been trading for 24 months or more.
- Be in good standing with the bank.
- Have an annual turnover of less than R25 million.
- Includes sole proprietors, partnerships, operating trusts, CCs and Pty Ltd.

### *Special Mention*

- Full time employees are eligible – contractors will not qualify.
- Loan must be paid in full on or before 31 December 2025 - loans are interest-free and carry no early-repayment fees.

## INITIATIVE



- Debt relief finance scheme for business that are negatively affected, directly or indirectly due to the Coronavirus pandemic for a period of 6 months for payment of employee, rates and taxes working capital.
- Administered by Department of Small Business.
- Register on <https://smmesa.gov.za/>
- **Fund:** R200 Million.

## AIMED AT



- SMMEs which are negatively affected, directly or indirectly, due to the Coronavirus pandemic;
- Provide loan to assist at prime less 5%
- If loan abuse –pay back at prime + 10%

## KEY CRITERIA



- The business must have been 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;
- Be registered and compliant with SARS and UIF;

## INITIATIVE



- Businesses geared to take advantage of supply opportunities resulting from the Coronavirus pandemic or shortage of goods in the local market.
- Administered by Department of Small Business
- Register on <https://smmesa.gov.za/>
- **Fund:** R300 Million

## AIMED AT



- Businesses geared to take advantage of supply opportunities resulting from the Coronavirus pandemic or shortage of goods in the local market especially with regard to medical supplies and critical non-food essentials.
- Provide loan to assist at prime less 5%
- If loan abuse –pay back at prime + 10%
- Business Growth Facility Categories:
  - Micro R50 000 – R250 000
  - Small R250 001 – R 2 500 000
  - Medium R 2 500 001 – R 5 000 000

## KEY CRITERIA



- The business must have been 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;
- Be registered and compliant with SARS and UIF;

## OTHER FUNDING MECHANISMS

### **TOURISM RELIEF FUNDING – R200m**

Assist SMMEs in the tourism and hospitality sector who are under particular stress due to the travel restrictions. Key criteria: CIPC-registered and in existence >1 year with T/O ≤R2.5m pa, tax clearance, UIF-registered and proof of min wage compliance.

### **IDC COVID-19 ESSENTIAL SUPPLIES INTERVENTION – R500m**

Various funding instruments to companies for the acquisition and/or the manufacturing of essential supplies on an urgent basis to combat the Covid-19 pandemic (Comprehensive list published by the Treasury Department). IDC loan and trade finance facilities: P + 1% pa, MCEP Loan facilities 2,5% pa, Guarantees: 2% p.a. Max term of 3 months for all facilities.

### **WORKING CAPITAL SUPPORT – R 700M**

Working capital support : R300 m for IDC R200 m for SEFA (Small Enterprise Finance Agency)  
R200 m for NED (National Empowerment Fund) Sector specific interventions:

- Mining and metals
- Agriculture and agro processing
- Automotive industry

## OTHER FUNDING MECHANISMS

### **SUKUMA RELIEF PROGRAMME (Rupert and Remgro) – R1bn**

Interest free loan for 12 months for small businesses. This fund is currently oversubscribed by ~ R1.8 BN and is not open to further applications at this stage.

### **MOTSEPE FOUNDATION AND SANLAM – R1BN**

Fund used for sanitisers, personal protective equipment, water tankers, drilling activities for boreholes, assisting university students, providing internet infrastructure and building classrooms, among other things – no further details available.

### **SOLIDARITY FUND – > R2bn**

The Solidarity Fund is not accessible. The fund decides on how the donations are spent, and it seems it is used predominately for the Health response and Humanitarian efforts to curb the pandemic. There are other funds for which no information seems to be available at this stage.

**Information provided is according to publicly available information at the time.**

**You are encouraged to ensure that you familiar with all updated requirements prior to applying for any relief.**

## INITIATIVE



- Assistance with liquidity where business activity is likely to see an unprecedented decline in turnover
- Immediate cash flow relief

## AIMED AT



- SMMEs (company, trust, partnership, individual) who are employers and are negatively affected, directly or indirectly, due to the Coronavirus pandemic
- Gross income (turnover) in the year of assessment ending between 1 April 2020 and 31 March 2021 below R50 million
- No more than 10% of gross income is from passive income
- Tax compliant

## KEY CRITERIA



- Defer 20% of PAYE payments for April 2020 to July 2020
- No interest and penalties will apply to deferred amounts
- Repay in 6 equal instalments
- First repayment with August 2020 PAYE payment (payable on 7 September)

## INITIATIVE



- Deferral of provisional tax liabilities of businesses to provide additional cash flow

## AIMED AT



- SMMEs (company, trust, partnership, individual) that are negatively affected, directly or indirectly, due to the Coronavirus pandemic
- Gross income (turnover) in the year of assessment ending between 1 April 2020 and 31 March 2021 below R50 million
- No more than 10% of gross income is from passive income
- Tax compliant

## KEY CRITERIA



- Periods payment periods ending
  - First between 1 April 2020 and 30 September 2020
  - Second between 1 April 2020 and 31 March 2021
- Relief
  - First—payment based on 15% of estimate tax liability (down from 50%)
  - Second—payment based on 65% of estimated tax liability (down from 100%)
- Full amount (i.e., remaining 35%) payable at Third provisional payment date (6 or 7 months after year end)
- No interest and penalties on deferred amounts

## INITIATIVE



- Deferral of interim payment liabilities of businesses to provide additional cash flow
- Complimentary to the provisional tax relief

## AIMED AT



- Registered micro businesses as defined
- Individual or company whose qualifying turnover is less than R1 million
- No more than 20% of gross income is from professional services or passive income, or both
- Tax compliant

## KEY CRITERIA



- Periods payment periods ending
  - First between 1 April 2020 and 30 September 2020
  - Second between 1 April 2020 and 28 February 2021
- Relief
  - First—payment based on 15% of estimate tax liability (down from 50%)
  - Second—payment based on 65% of estimated tax liability (down from 100%)
- Full amount (i.e., remaining 35%) payable by date specified in assessment
- No penalties and interest on deferred amounts

## INITIATIVE



- R500 tax subsidy to employers in respect of employees earning less than R6,500 per month
- Expands on current Employment Tax Incentive (ETI)

## AIMED AT



- All employers with employees earning less than R6,500 per month
- Employers registered with SARS on or before 1 March 2020
- Tax compliant

## KEY CRITERIA



- In respect of payrolls in the period 1 April 2020 and 31 July 2020
- Increases the ETI claim for current subsidies by R500
- Introduces a R500 subsidy in respect of employees aged
  - **18 to 29** who no longer qualify for claim (have been in employment more than 24 months)
  - **30 to 65** who never qualified for the claim

## INITIATIVE



- Acceleration of ETI refunds to provide additional cash flow

## AIMED AT



- Employers claiming refunds under the Employment Tax Incentive (ETI)
- Employers registered with SARS on or before 1 March 2020
- Tax compliant

## KEY CRITERIA



- In respect of payrolls in the period 1 April 2020 and 31 July 2020
- Refunds (if any) can be claimed on a monthly, not six monthly basis

# CUSTOMS DUTY AND VAT ON IMPORT OF ESSENTIAL GOODS

## INITIATIVE



- Exemption from customs duty and VAT on import of essential goods to provide cash flow relief

## AIMED AT



- Importers of essential goods or raw materials for manufacture of essential goods

## KEY CRITERIA



- Full rebate given under import code 412.11
- Application to International Trade Administration Commission of South Africa (ITAC)



## **COST REDUCTION SCENARIO'S TO ADDRESS THE CASH GAP**

Although the Covid-19 crisis is first and foremost a public health emergency, the economic impact of the virus is beginning to emerge and it is clear that all businesses will be affected, regardless of sector.

For some businesses, the pandemic has already had a detrimental effect on cash flow which requires immediate attention; others are at a stage where it is essential to start serious contingency planning for a global economic downturn.



**At Mazars, we are supporting businesses to act now to protect against the worst effects of the crisis.**

**Below we outline two approaches to manage your business through this crisis.**



# MAZARS COVID-19 BUSINESS DEFENCE APPROACH

Placing your business under defence with any one of these options, or in combination;

## MODEL THE “CASH GAP” AND FUNDING REQUIREMENTS



## SHORT-TERM COST REDUCTION – RAPID COST REDUCTION AND RESULT MANAGEMENT



## DOWNTURN CRISIS PLANNING



# MODEL THE “CASH GAP” AND FUNDING REQUIREMENTS

Determine the  
“cash gap”

- Model the scenario’s
- Determine the “cash gap” per scenario
- Assess all available cash resources and lines of credit

Prepare the  
'cash gap'  
plan

- Determine available support requirements from Government, Banks or Investors
- Determine short term cost reduction or expense deferral programme
- Release finance from internal resources and key relationships
- Prepare a revised cash flow statement based on the remedial action plan
- Determine the amount of additional external funding required

Quantify  
the impact

- Previous trading history and recent financial statements / monthly management accounts
- Summary of modelled scenario’s and remedial action plan to close the ‘cash gap’
- Working capital optimisation
- Revised cash flow statements based on the remedial action plan
- Defined crisis funding required from external funding sources to sustain the business for a prolonged period (i.e.: 12 – 18 months)

Negotiate appropriate  
funding arrangements.  
with external parties

- Compile funding requirements submissions
- Assist in submission of funding requirement to Government, Banks and Investors where required

# RAPID COST REDUCTION AND RESULTS MANAGEMENT

Rapid review of operations  
and spend analysis

- Mobilise team consisting of Industrial Engineers and Chartered Accountants as required
- Review operations and support services in terms of productivity, delivery, quality, cost and risk
- Rapidly develop addressable areas of cost reduction for review

Identify, prioritise, quantify  
and plan cost reduction  
opportunities

- Finalise portfolio of cost reduction opportunities in terms of short- and medium-term opportunities
- Quantify identified cost reduction opportunities
- Develop implementation plan

Mobilise and support cost  
reduction action steps

- Mobilise cost reduction leadership team, initiatives and activities
- Execute the cost reduction action plan in waves based on level of impact, time to cost realisation and difficulty of execution

Realise and track cost  
reduction

- Results management and implementation support
- Tracking templates and governance



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# HOW CAN WE HELP?

At Mazars we have the practical experience and expertise to support businesses navigating turbulent times.

Whether it's crisis cashflow management or economic downturn planning, we can help minimise the impact to your business.

## About Mazars

We are an international, integrated and independent firm, specializing in **audit, accountancy, advisory, tax and legal services**. Operating in 91 countries and territories, the firm draws expertise of 40400 professionals to assist major international groups, SMEs, private investors and public bodies at every stage in their development.