

COVID-19: A SURVIVAL GUIDE FOR SMEs

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- Tshepo Phakathi is Group CEO of Phakathi Holdings;
- Tshepo holds several qualification including:
 - Post Graduate Diploma in Doctoral Studies (a precursor to his ongoing PhD studies);
 - MBA;
 - BCom Economics;
 - Banking Diploma;
- Tshepo started his 1st business, Phakathi Capital, in 2001 (a boutique corporate finance business);
- Tshepo has been the ambassador of:
 - Eskom Business Investment Competition (2010-2015);
 - Small Business Expo (2014/15);
 - Nedbank/Talk Radio 702 Business Ignite (2019/20);
- Tshepo has been recognised as Mail and Guardian's top 200 young South African of 2012 and Destiny Man's Top 40 young entrepreneurs of 2011;
- Tshepo has written hundreds of business advisory and/or economic analysis articles for: Financial Mail, Business Day, City Press, and many more publications;
- Tshepo is widely recognised as an achieved entrepreneur, a business consultant, a sort after public speaker and a well versed business coach.

FIRST, LET'S BE REAL!

Objectively, how long do you think your business will last? COVID-19 aside, do you honestly believe your business will outlive you? How about your heirs? Statistically, only 12% (110) of all Fortune 500 companies survive to see 50 years. That means, even the largest corporations in the world struggle to live long. This makes being in business a near-certain death sport. So I ask again, how long do you think your business will last?

Let me front end this for you: not all businesses will survive this tumultuous lockdown period and not all livelihoods will be spared. You and I both don't like this arrangement but hey, we had no part in the makings of it. Someone once said it's only when the tide goes out that we see who has been swimming naked – we are about to find out.

Here's the upside, even if your business doesn't make it, it doesn't spell the end of the road for your entrepreneurial career – it really shouldn't. The very essence of entrepreneurship is about birthing new ventures as old

ones wither to the quiet storms. Truth is, we have to storm-proof our businesses to survive difficult times.

Without this, then they will succumb to the law of evolution. Today it's COVID-19, tomorrow it could be protracted social riots or a military coup. It's never what happens that deals us with our ultimate death knell. It's always how we choose to perceive what happens and then how we react to it. This is not some motivational mumbo jumbo, it's a fact of life.

In this booklet, I want to share a few ideas of what you can do to survive this period. To make it practical I'm going to break my privacy rules and let you into our boardroom to see what our response has been hitherto.

Anecdotally, surviving this will be (at least for some) like surviving the Great Depression. It's a poignant simile, because the longer this lasts, the more likely it is to cause an economic depression.



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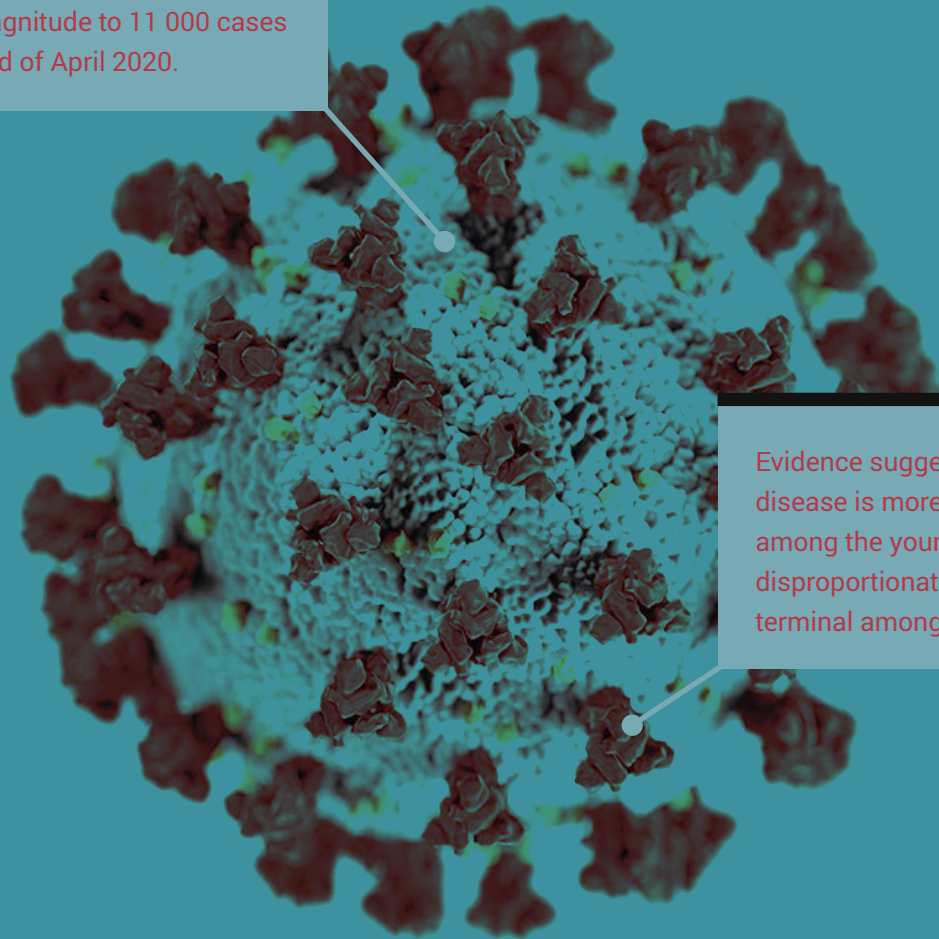
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PART I

Projections: COVID-19 cases in SA could rise by an order of magnitude to 11 000 cases by end of April 2020.



Evidence suggests that the disease is more prevalent among the young but disproportionately more terminal among the aged.

THE BASICS OF COVID-19

THE BASICS OF COVID-19

Basic Insights

- The disease is called Coronavirus Disease 2019 (COVID-19);
- The known cause is the Severe acute respiratory syndrome coronavirus 2 (SRS-CoV-2);
- It is a similar virus strain to SARS-CoV-1, which was prevalent in Hong Kong between 2002/3;
- Evidence suggests that the disease is more prevalent among the young but disproportionately more terminal among the aged.

Epidemiology

- Consensus origination is the wet seafood market in the city of Wuhan (Hubei Province) China in December 2019;
- Etiology is still unknown or at-least unconfirmed. However, studies show a near perfect DNA match between the Bat and Human coronavirus;
- Between December 19 and 13 January 2020, there were a total of 41 cases in Wuhan, which was the initial cluster;
- This was followed by a rapid increase in cases outside Wuhan and the subsequent global WHO declaration of the virus as a pandemic.

Statistics - 28 March 2020

- **World**
Number of cases: 613 829
Number of deaths: 28 229 (4.6%)
Number of recoveries: 137 224 (22.36%)
- **South Africa**
Number of cases: 1 138
Number of deaths: 1 (0.09%)
Number of recoveries: 31 (2.72%)
- **Projections**
COVID-19 cases in SA could rise by an order of magnitude to 11 000 cases by end of April 2020.

Case Profiles

- **Mild Symptoms (81%)**
Most people who get infected will present with flu like symptoms and will only need to isolate at home until the symptoms disappear.
- **Hospitalization (14%)**
A significant and growing number of cases require hospitalization and quarantine. Those who get worse then require ICU and ventilation support.
- **Intensive Care (5%)**
Some patients present with severe symptoms and will require immediate ICU care.

PART II



RATIONALE & IMPLICATIONS OF A LOCKDOWN

RATIONALE

2.1 Why a lockdown?

- Lockdown will save lives; SAs population density makes us susceptible to a runaway scenario where infections spike and the resultant need for medical care totally overwhelms our vulnerable healthcare system;
- Fewer infections mean fewer severe cases, which means fewer deaths and this keeps breadwinners alive. This is necessary for a stable society and a reduced fiscal burden, critical for a viable economy;
- WHO declared SARS-CoV-2 a pandemic when it became evident that case numbers were growing exponentially. This is the worst case scenario that our Government wants to avoid.

Empirical Evidence

Currently infected
750 028
Mild Condition
95%
Serious or Critical
5%

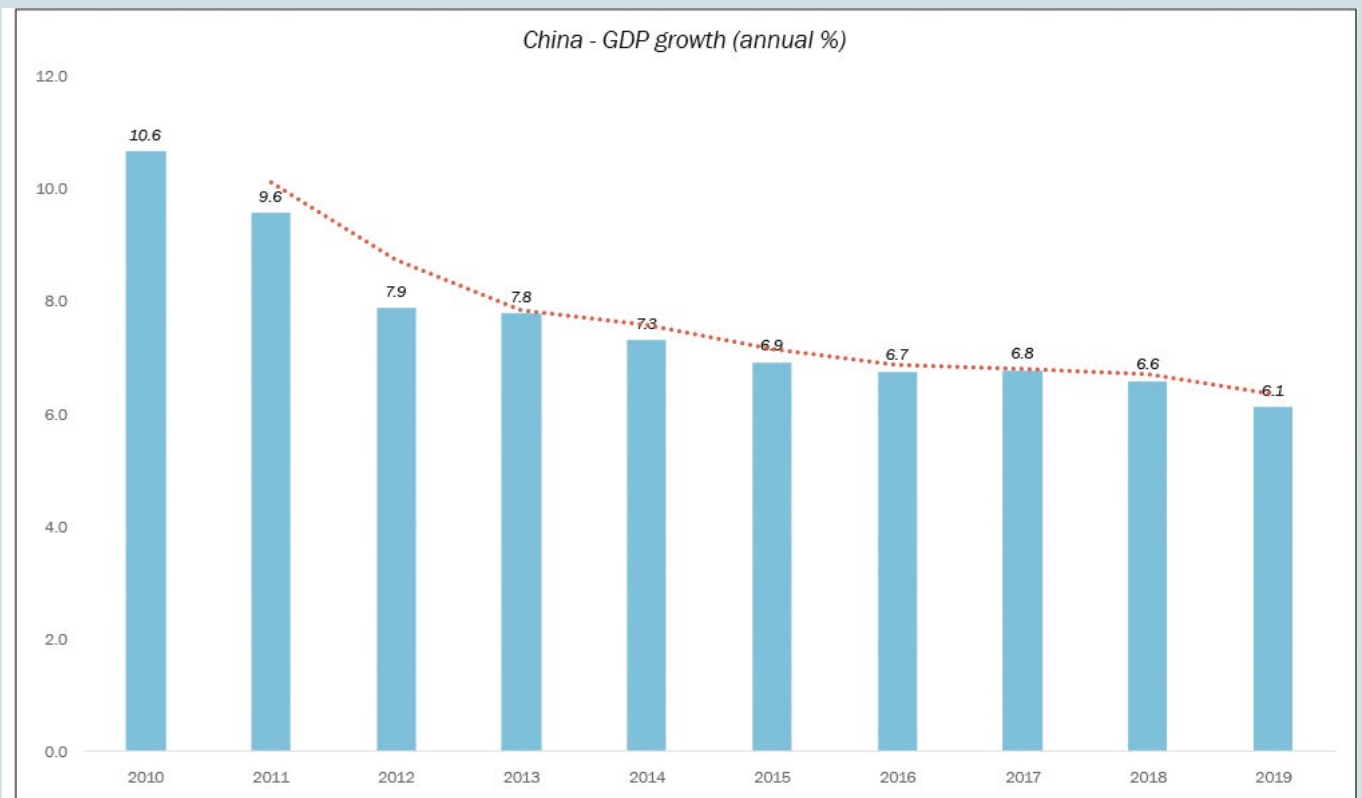
Source: WHO data

IMPLICATIONS

2.2 A small business perspective

- Short-term revenue decline (it's like cardiac arrest);
- Supply shortages (supply chain disruption);
- Productivity declines (Work from home fallout);
- Delivery Failures;
- Cash Flow drought;
- Response / Rescue / Bailout;
- Recovery / Liquidation.

Empirical Evidence



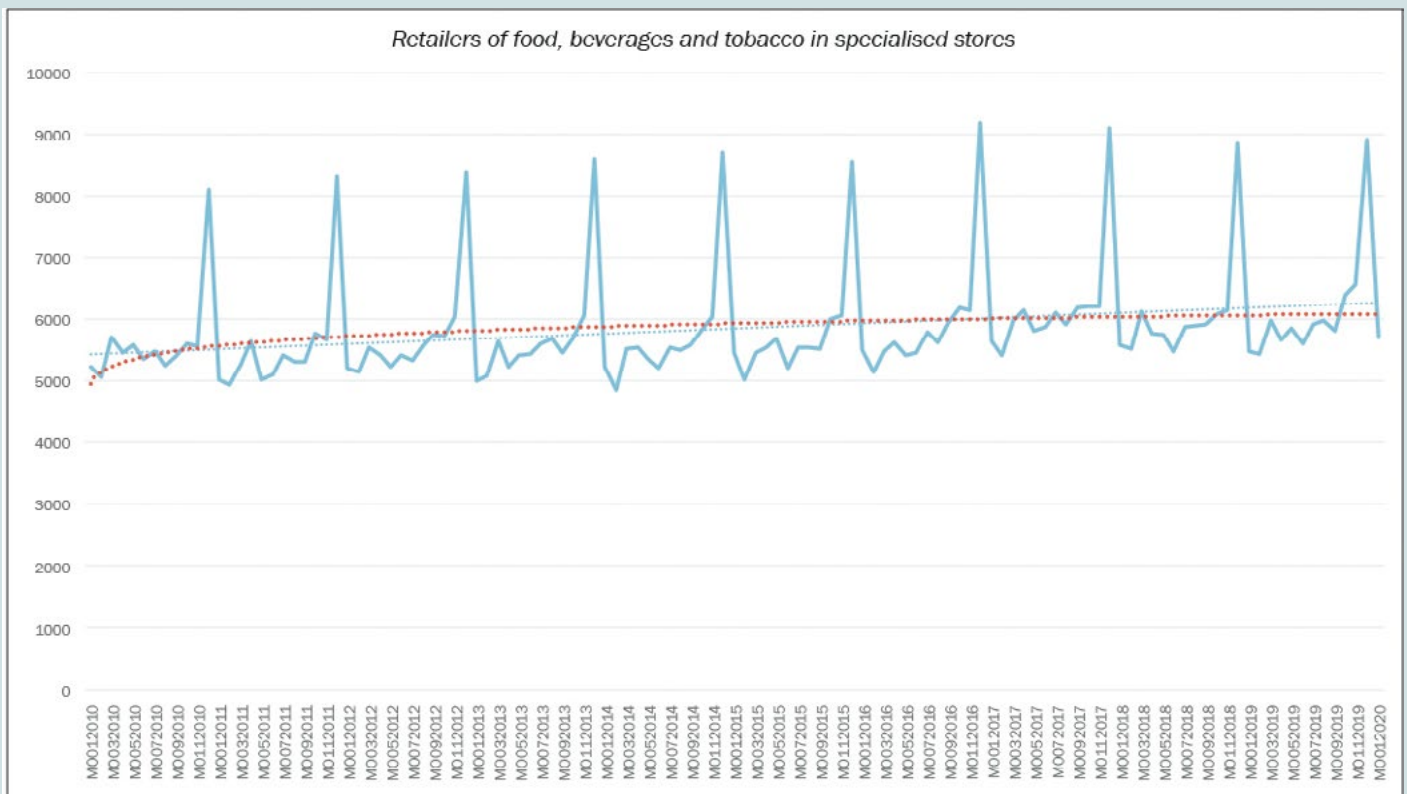
Source: World Bank data; trendline is a moving average.

REVENUE DECLINE

2.3 Lost income

- By its very definition, a lockdown, for a significant proportion of the economy, will mean all forms of trade come to a complete stop. This potentially means zero new sales for the period of shutdown. Restaurants are a good example of this;
- For some businesses, a shutdown will mean a partial closure of certain aspects of their business, while other operations continue. These businesses will typically invoke work from home options for staff. Still, such businesses will be subject to the echo-effect (the extent of severity the impact has on both their supply chain and customers). It is not useful to operate in an environment where your customers or suppliers have completely shutdown;
- Then there is a category of businesses that will be, at best, mildly inconvenienced or even experience a surge in business as a result of COVID-19 – Healthcare Facilities for example. These are unicorns not covered in the scope of this booklet.

Empirical Evidence



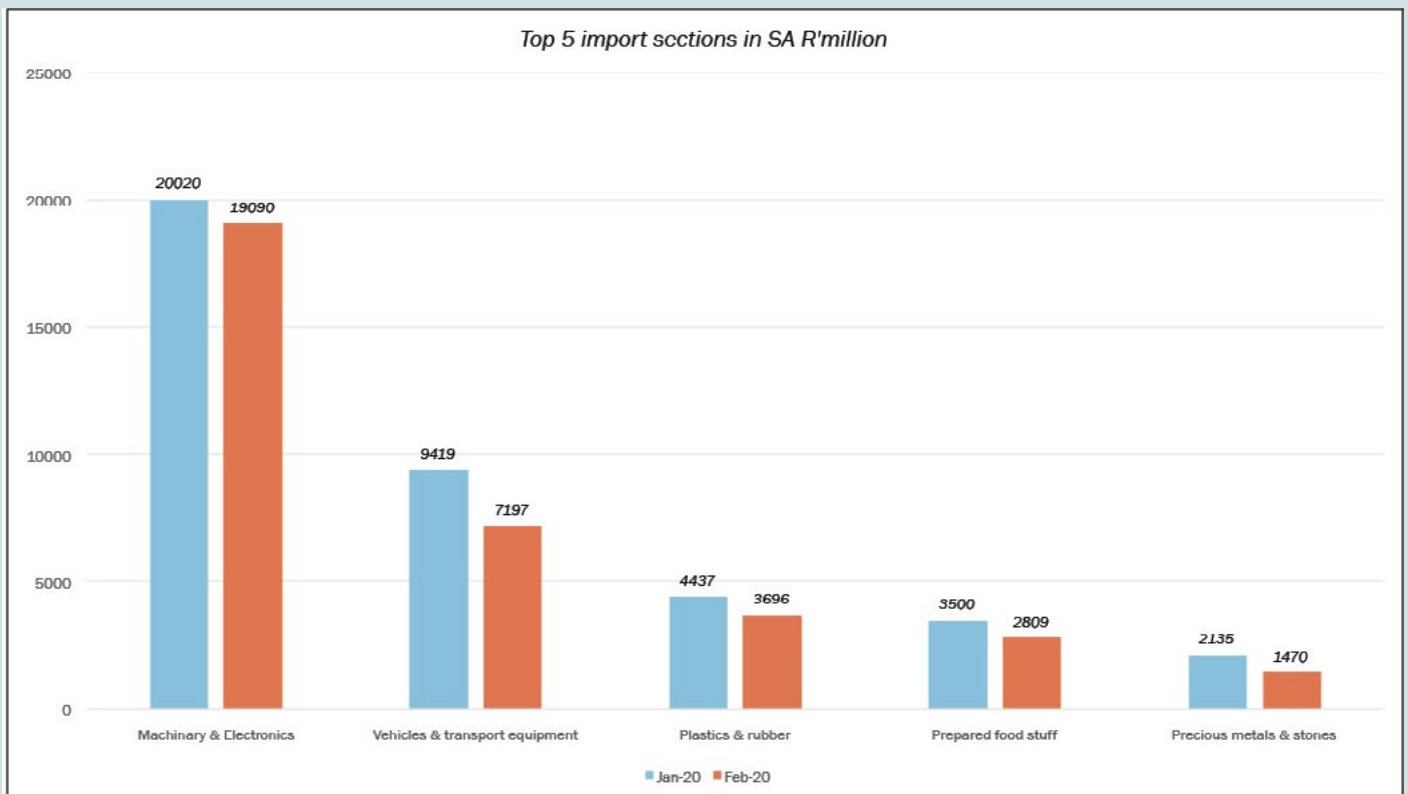
Source: Stats SA data.

SUPPLY SHORTAGES

2.4 Pressured supply chains

- Supply chains will continue to be disrupted in the medium-term. Even as china restarts, there are a multitude of logistical problems that still inhibit supplies from getting to you at usual speed. Small businesses will be disproportionately impacted as they do not keep much redundancy or buffer inventory;
- As already alluded to, during this period you can expect supply disruptions. Some of your suppliers will be invoking force majeure clauses in your contracts as they are unable to deliver to you. If you are in the manufacturing or similar business, even one missing component can ground everything to a halt;
- Part of the pain of being a small business is that you are often treated as a 2nd class customer, priority and preferential pricing is often the preserve of larger clientele. This means even when the lockdown is lifted, it is likely to take longer for your business and supply chain to normalize.

Empirical Evidence



Source: SARS data.

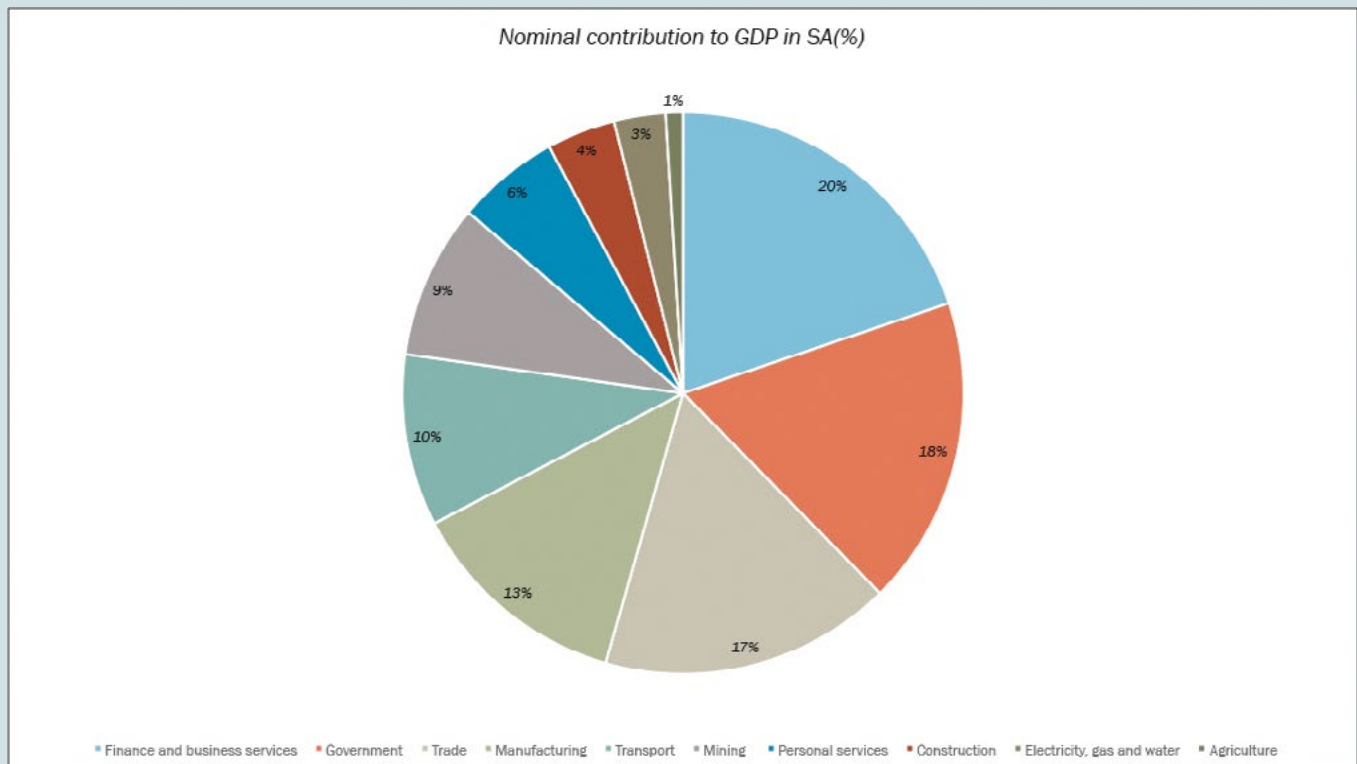
PRODUCTIVITY DROP

2.5 Working from home?

There has been much said about work-from-home as a partial solution to business continuity. This will apply mostly to businesses with skilled labour. Professional and management businesses can work from home. Sales, Services, Production, Construction, Transport and Mining probably cannot.

- Most small businesses are not set up for remote work, which requires clear outcomes with timeline specificity, a different management structure, technology, connectivity and an output driven culture;
- People will need structure, a workspace with limited distraction, real-time performance monitoring, team cohesion, compatible technological infrastructure, training, troubleshooting and real time adaptations to learn quickly.
- Most small businesses would not have had enough time to plan for these lockdowns. Also, the lean and just in time (JIT) approaches have only exacerbated matters for small business.

Empirical Evidence



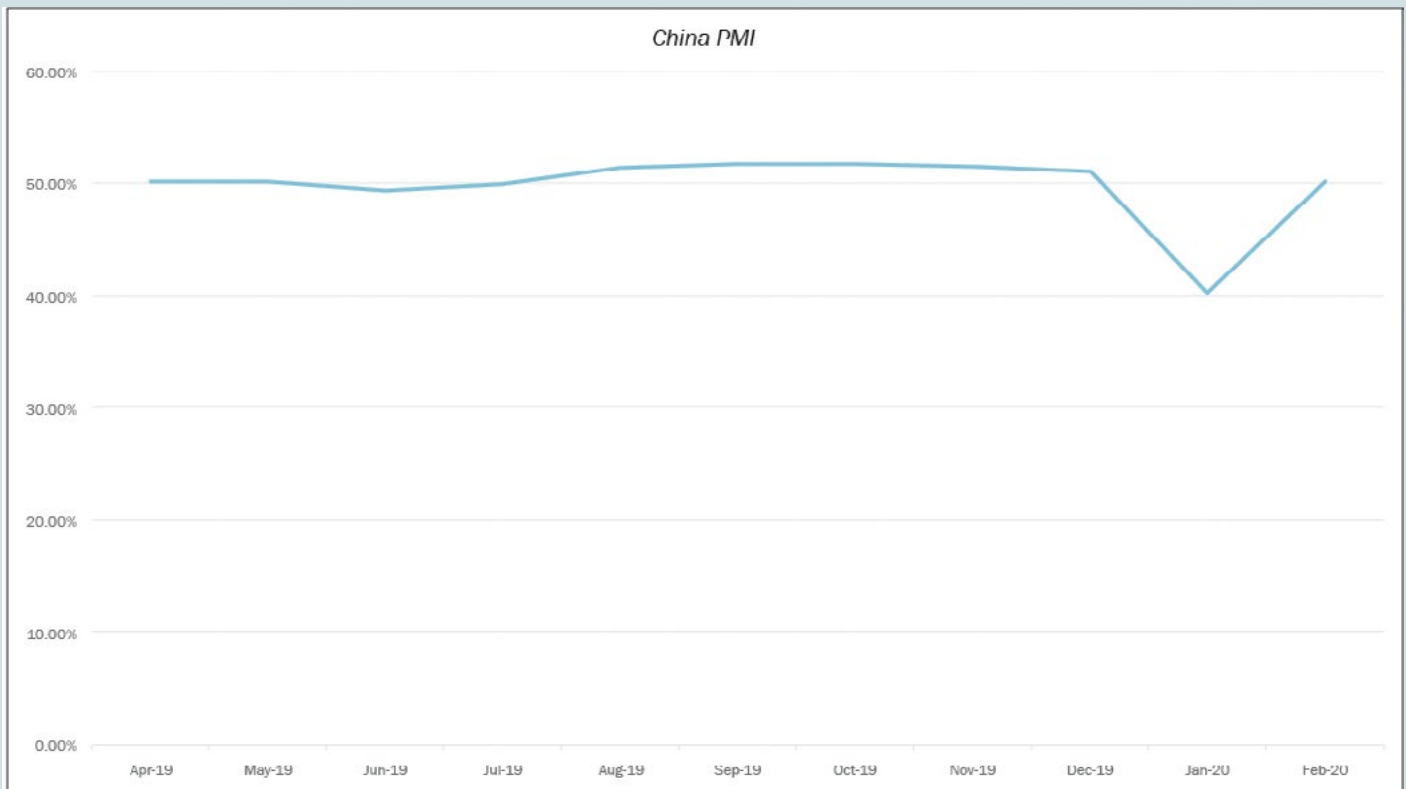
Source: Stats SA data.

DELIVERY FAILURE

2.6 The China question

- The total weight of supply chain challenges, system wide anxiety and productivity loss is likely to lead to poor or failed delivery. This will apply up and down the value chain. This will reverberate for months to come;
- At the time of writing, I spoke to several small businesses in technology (hardware), medical supplies, PPE supplies, automotive, pharmaceuticals, Agri-processing and wholesale. All of them had a level of dependence on China;
- *A crude example:* your favourite muesli and breakfast producer is unable to secure nuts supplied by China, therefore they are not able to supply the hospitality and restaurant clientele, which means you may not be able to enjoy your favourite muesli when the dust finally settled;
- Most horrifying, some of the dependence is previously unknown intermediate dependence (where China only make a few components on a piece of equipment that is mostly manufactured in Europe - for example). This is the case in most of the situations

Empirical Evidence



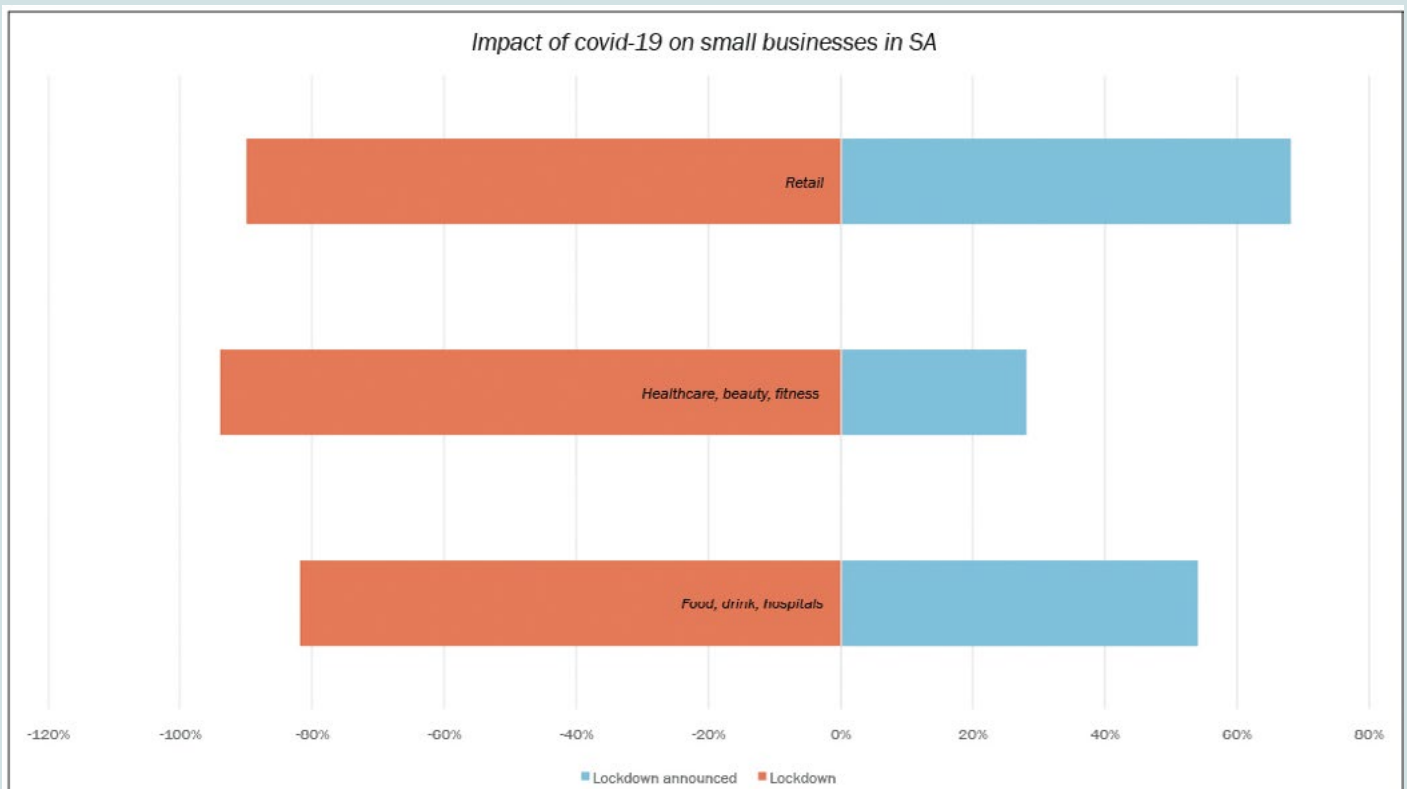
Source: ITC data.

CASH FLOW DROUGHT

2.7 No cash

- Most businesses that experience cash flow problems have such problems for one of three reasons, viz;
 - **Sales** – you are not generating enough cash sales to cover your costs. Fixed costs are not dependent on activity, they are there even when you produce zero output. Variable costs are very much linked to your activity levels. You need enough cash sales to cover both these, otherwise you are likely not only to have cash flow problem but incur losses as well;
 - **Debtors** – too many people owe you money and are not paying you quick enough. In this case you are playing bank and financing your customers;
 - **Capital** – your business is not capitalized properly to (a) support long lead times in cash in-flows (debtors) and/or (b) a slump (e.g. a recession, seasonality or a COVID-19 like crisis);
- Most small businesses will experience all the problems simultaneously. COVID-19 only magnifies each of them.

Empirical Evidence



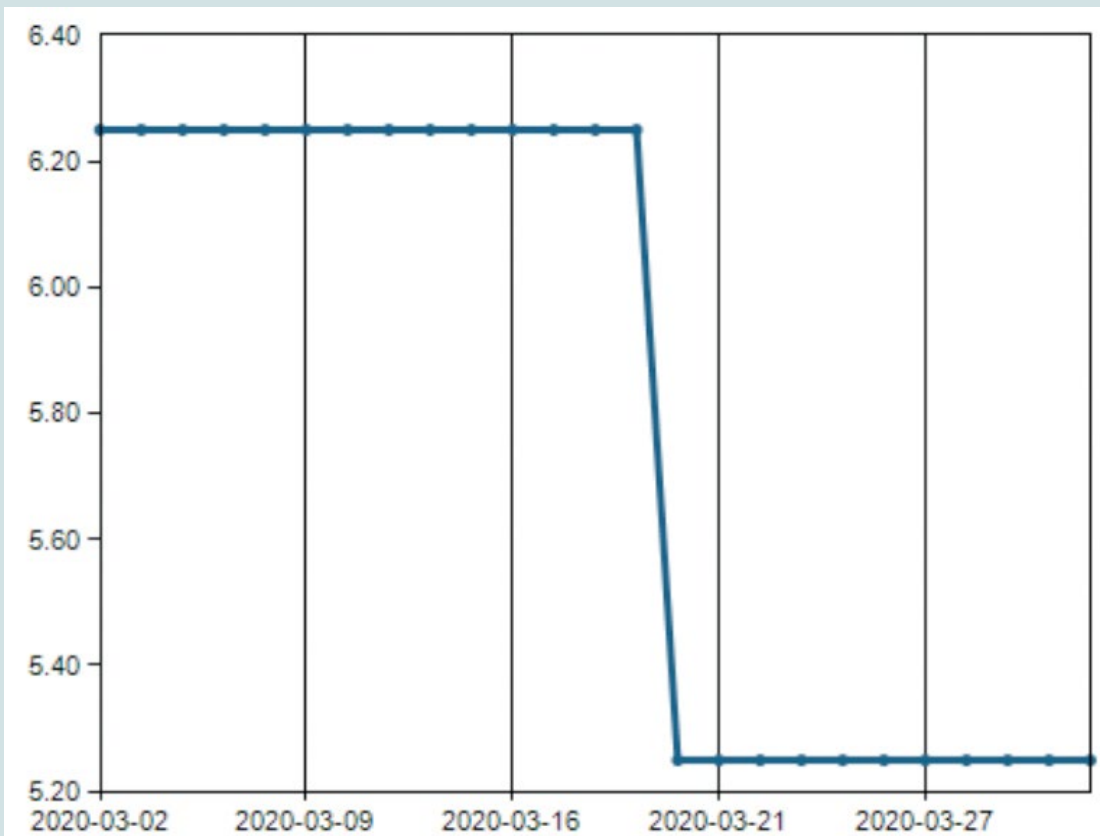
Source: Yoco data.

RESPONSE/RESCUE/BAILOUT

2.8 Fight or die

- In part III we will delineate each of these options in-depth. Suffice to say here, that small businesses will face 3 choices henceforth;
 - **Respond** – this is to say, you have to review several options at your disposal (Part III) and make choices in terms of what will work best for you. Many small business owners will be experiencing these stormy seas for the first time and are at a complete loss for options;
 - **Rescue** – some small business will have to opt for business rescue (Part III) because of the severity of the impact this lockdown will have on their businesses;
 - **Bailout** – the private and public sector have announced measures and financial contributions (Part III), which are envisaged to serve as conditional grants aimed at lessening the impact of the lockdown on small businesses;
- It is estimated that R300bn is required to inject enough liquidity for the small businesses to survive. There will not be enough money to do this, so a combination of solution is needed.

Empirical Evidence



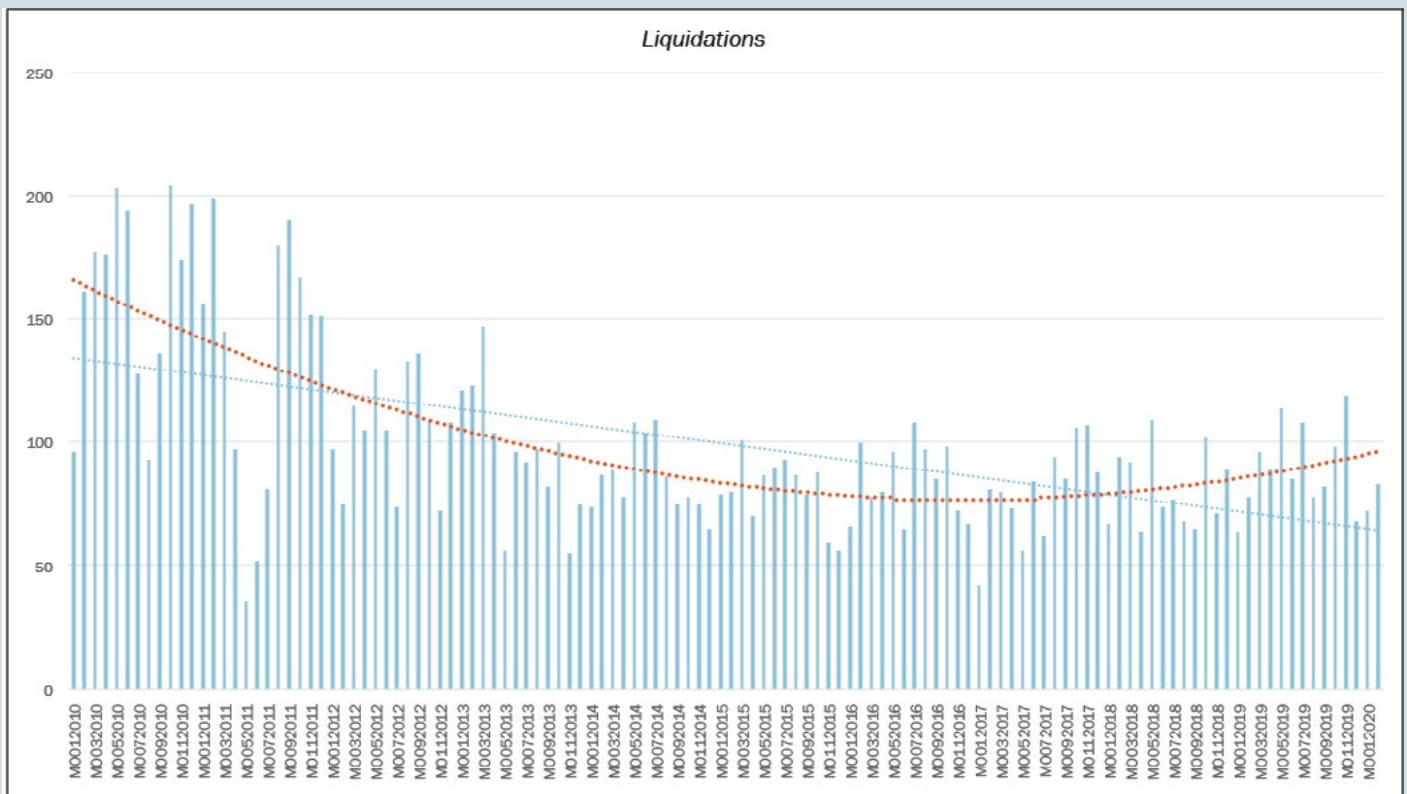
Source: Reserve bank data.

RECOVERY/LIQUIDATION

2.9 Success is already hard, now COVID-19?

- Many small businesses will make a full recovery in time and may go on to become larger businesses in the future. However, a lot of small businesses will not survive this period and will go out of business. For these businesses, it may be wise to opt for voluntary liquidation;
- Liquidation, although undesired, may offer the small business owners an opportunity to winddown their businesses in an orderly and structured manner that protects the rights of all stakeholder and preserves some value for their families;
- Note that if it comes to it, the decision to winddown has to be made objectively and expediently. A protracted emotional battle will only drain more resources and leave you in a worse-off situation;
- There is no shame in winding-down a business. Many notable entrepreneurs, since time immemorial, have used this strategy to buoy themselves onto their next business without the burden of the failed one.

Empirical Evidence



PART III



SURVIVAL AND RECOVERY

CAVEATS

1

The ensuing set of ideas is just a guideline on what options you have at your disposal.

2

The categorization of these ideas is to make it easy for you to remember them and consider the difference in bargaining power across each category.

3

This list is non-exhaustive; there is no claim here that these are the only ideas you can explore.

4

Examples are made throughout based on industry and practicability. Note that not all examples or suggestions may be specifically viable for your industry or the peculiarities of your specific set of circumstances.

5

The list follows a complexity indexing. This means the options are ranked from easy to complicated.

6

It is likely that you will have to use a combination of these solutions as no specific one has the efficacy to solve all your resultant challenges.

7

Using these solutions may in itself create different dynamics of challenges that require more solutions.

8

Definitions are simplified to facilitate common interpretation and are not meant to meet textbook muster.

HOW TO SURVIVE A LOCKDOWN

Debtors

Debtors are the people who owe you money; either from products/services/ loans you already provided to them or through contractual obligation.

Creditors

Creditors are the people you owe money to; either for products/services/ loans already provided to you or through contractual obligation.

Employees

Employees are people who work for you (based on an established contract) and are entitled to remuneration and contribution of specified employment benefits.

Sales

Commitments to or actual purchases of a specified quantity of your goods and/or services for a specified consideration at a specified point in time.

Taxation

This refers to money due to or by you to the South African Revenue Service (SARS) for pay as you ear (PAYE), income Tax or Value Added Tax.

Business Rescue

A legal process implemented for viable businesses that are experiencing difficulties in meeting some or all for their obligations.

Recapitalization

A process of reinvesting money in the business in the form of equity/debt/ other structure.

Bailout

A process where a business is granted conditional funding in order to survive in the short-term.

DEBTORS

1

First priority is to cash-in your liquid assets. Your key asset at this point is the Debtors on your balance sheet.

2

You have to collect as much of your debtors as possible, for two reasons, viz;

(a)

This will give you physical cash, which you can use to support your operations during this period.

(b)

If your debtors' business gets into trouble, you don't want to sit as an unsecured creditor only to receive cents on the Rand, if anything.

3

Another way to secure financing using your Debtors book is invoice discounting. This will only apply if your Debtors are of good quality (blue chip or Government). With discounting, you will lose partial value on your invoice book however, you will be able to inject much needed cash flow into the bloodstream of your business.



EXAMPLES ON DEBTORS

Mickey Mouse Nursery Schools

- Mickey Mouse is our pre-schools franchise;
- Schools were the first ones to feel the brunt of COVID-19;
- With many Parents defaulting under normal conditions, we knew this period would only make matters worse;
- So immediately, we reminded parents that school fees are due monthly in advance, we set up an interactive e-learning platform accessible only to parents who are up to date with fees.
- We have made provision (a catch up plan) for parents who have had to fall into arrears because of the COVID-19 impact on their livelihoods;
- As a contingency, we asked the bank to extend our overdraft facilities in case the lockdown period is extended and our cash flows dry up.

Synergex Healthcare

- Our insurance pathology business and wellness business;
- We provide services to several clients country wide on a retainer and/or project basis;
- When the lockdown was announced we knew our nursing teams wouldn't be affected, but most of our clients would be. In order to avoid problems we issued invoices earlier than usual (even for work in progress in some cases). Our MD immediately made calls, personally, to try and collect as much cash as possible;
- Overall, we collected more than 90% of what was due.

Restaurant in busy tourist area

- A restaurateur client of mine lost 70% of their business when the first mitigation measures were announced on 15 March 2020;
- The nature of their business is such that they barely have any debtors. The business is conducted on a cash basis;
- Not being able to leverage debtors, we looked to see if we could secure and monetize future cash flow from events and function confirmed but unpaid (more on this option later).

Boutique 4 star rated hotel in a Tier-2 City

- This 20 room all suite establishment also experienced a near complete drought in cash flows;
- Occupancy went from 65% pre COVID-19 to 15% when the lockdown was announced, with no booking during lockdown;
- Similar to the restaurant example, here we looked to monetise future conferencing revenue that were not yet payable (more on this option later).

CREDITORS

- Do yourself a favour and communicate with all your creditors, to this effect: due to the COVID-19 induced lockdown, you will be unable to meet your obligations at the expected or agreed date;
- Ask them for two things:
 - A specific payment moratorium (specific to what part of the liability you are unable to pay, as well as, how long you are unable to pay it).
 - Payment terms from after the lockdown is lifted. This is to ensure that future repayments are tied to your cash flow realities. You may be able to support 60% of your liability for the first few months after lockdown. At which point you then plan to resume payments as per your normal schedule;
- Note: with your supplier creditors, you may want a temporary adjustment to your payment terms; say a move from 30 days – 90 days. This is so that you continue to receive inventory deliveries during the lockdown period. This is relevant only if your business is partially affected.

Examples of creditors you may want to speak to

- **Landlord** – rental moratorium;
- **Bank** – instalment/capital/interest moratorium;
- **Suppliers** – payment moratorium;
- **Retained Professional Services** – invoke force majeure and suspend the operation of these retainers until after the lockdown period. If they pertain to a key service, then likewise, request a deferral of payment to a later date.

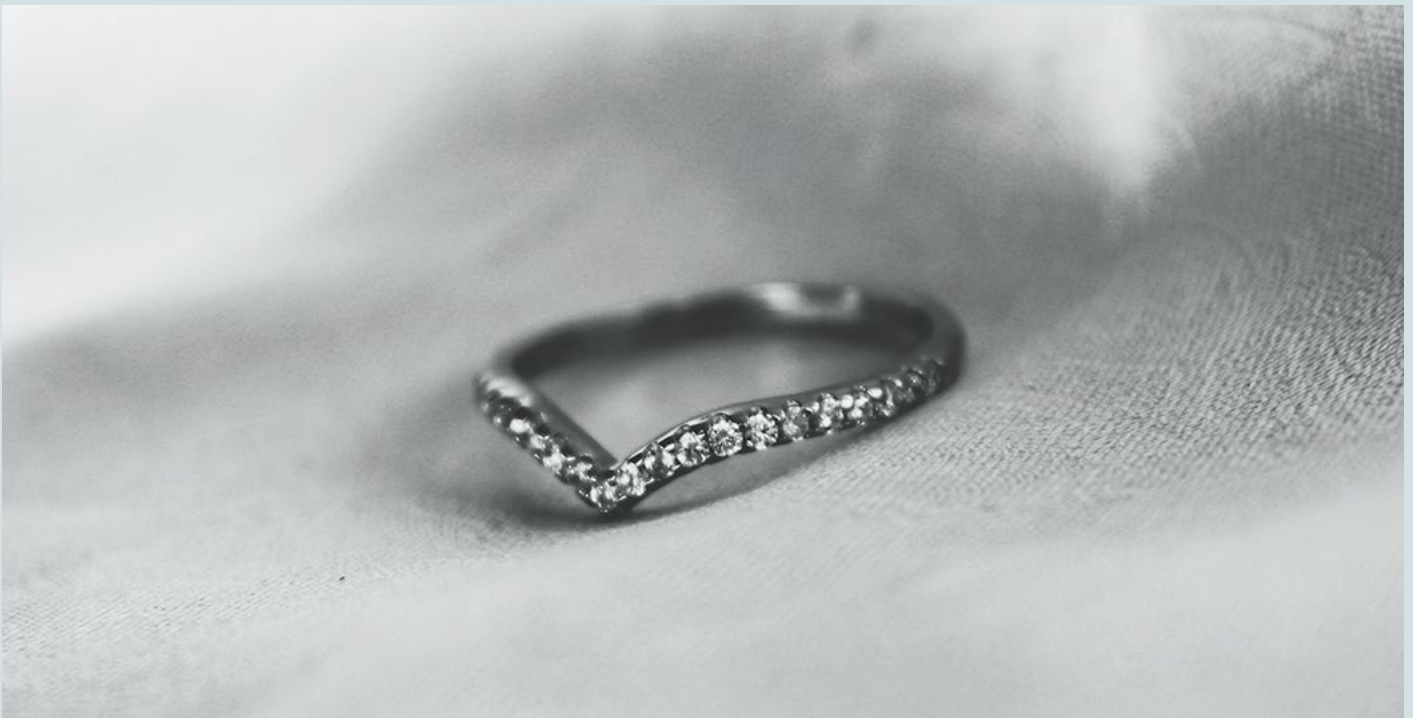
EXAMPLES ON CREDITORS

Jewelry retail business in a Tier-1 City

- Our client who is a Jewelry retailer in an upmarket and sort after retail mall quickly got into trouble when the COVID-19 mitigation measures were announced;
- Immediately, we advised lease negotiation with her landlord. This was a difficult negotiation because the space is sort after. However, with good reason the landlord understood that it was not possible to find a replacement tenant during this period;
- We offered the landlord a sweetener in the deal; if they agree to a rental moratorium, (a) we would immediately extend the lease from 3 to 5 years, (b) we would surrender the rental deposit as rental for April 2020 and then reinstate in 3 successive equally instalment from May to July 2020.

Boutique 4 star rated hotel in a Tier-2 City

- In the same hotel as above, the main creditors were a Bank and a Development Finance institution;
- Looking at historical booking patterns and the long lead time peculiar to leisure travel, we requested a payment moratorium of 3 months and a complete rearrangement of the applicable payment schedule in that loan;
- In this case, given the size of the debt, we advised that we don't want the interest to be capitalized, instead we have allowed the loan to go into penalty-free default with the view that the client would catch up by month 3 before the creditors have to institute legal action.



EMPLOYEES

This is naturally a touchy area. Your options here are affected by the nature of your contractual arrangements with your employees. However, here's a list of options:

1

Continue paying your staff in full during the lockdown period, they are burdened and may need to support more displaced relatives.

2

Pay your employees only a part of their salaries. In any event during lockdown most people will not incur any travel cost and therefore can survive on a pro-rated salary. You would have to review the mechanics (legal) and details (amount) of this arrangement. It would be good practice to do a weighted cut, such that those earning more carry most of the burden. One of the options here is to treat this trim as a deferral, such that when things normalize, employees are equitably compensated for the haircut they accepted.

3

Retrench (by clear arrangement) some or all of your employees. In this situation, you would have to fund the retrenchment costs. This is only viable if (a) your employees have not been around, on average, for more than 2 years. (b) COVID-19 lasts more than 1 month and (c) your business remains a going concern post lockdown. Retrenching your employees will entitle them to receiving their U.I.F benefits, which may be as much as 75% of their current remuneration. Arranged retrenchments should contain two key properties (i) you will re-employ the workers post crisis and (ii) you do not risk losing scarce skills by doing so.

4

Rotate your staff, especially if they can work shifts, work remotely and/or work modularly / sequentially. This way you don't lose skills but you only pay for that part of the work that is completed, when it is completed and to the person completing the work. This has the added benefit of paying people for their output rather than their presence and should technically raise your productivity.

EXAMPLES ON EMPLOYEES

Agri-processing business in a Tier-1 City

- Our client who is the Agri-processing business and has an intermediate dependence on China for ingredient supplies, found himself in trouble when the lockdown was announced;
- With 200 employees, our client needs cash flow to support the business. When his underlying clients (hotels and restaurants) were forced to shut doors, likewise, he too had to follow suit;
- We immediately enacted two parallel processes; first, all part-time/seasonal employees were put on notice, then we considered a LIFO retrenchment process for permanent employees (this was halted subject to investigation of the Government processes as indicated in Part IV of this booklet).

Synergex Healthcare

- We have an extensive network of nurses across the country;
- Most of these nurses work for us on a contract basis, so we work on a no work no pay basis, which was suitable to our business model requirements;
- When the lockdown was announced we encouraged our nurses to go provide additional support in the public sector where they would be needed the most;
- We opted to keep a skeleton staff that will serve to support those clients whose operations are continuing through the lockdown period.



SALES

- A lot of sales activities for non-perishable non-durable goods and most services can continue during lockdown. To the extent that your sales people can sell telephonically, online and on social media, this should be prioritized and supported;
- Selling will give you cash flow while you're on lockdown. This is also a good time to incentivize clients to buy from you, to buy more, to buy up, etcetera. While most people are happy to wait it out, it is a wonderful idea for you and your team to accelerate your push for whatever business you can get;
- Sales are a lifeblood of every business, even if you only get through a part of the sales process – it is till tremendously valuable and beats doing nothing.



A simplified sales process

- **Prospecting** – prospecting involves identifying potential customers, conducting extensive research in understanding their needs and requirements. Prospecting is also about trying to view the sale from the vantage point of the customer, this helps you deal with objections when you get to the next stage;
- **Presenting** – presenting is about your sales pitch. It hinges on your ability to clearly communicate your value proposition and what your product or service solves. Note that this is not about flamboyant salesmanship, gyrations or tricks. Presenting is about being clear about what your offer is and why its different or better than the next best option;
- **Follow-up/Closing** – this stage of the sales process is about ensuring that the deal moves forward by offering a clear set of actions that must be taken and a timeframe within which to do so. This stage is about finding out if your potential customer has any hang-ups or objections with regard to your offer and it often involves incentivising a quicker turnaround by offering discounts or value enhancing freebies.

EXAMPLES ON SALES

Monetising future sales today

- The idea here is to collect cash today, for a service you can deliver in the future;
- In our restaurant and hotel examples; we encouraged the clients to collect the cash for planned future conferences, functions and events now so that they could bolster their cash flows during this time;
- A lot of small businesses can explore this option whenever they find themselves in a tight cash flow corner. One of our clients used this solution to collect annual software licence revenues that were not yet due but would become due at a later date.

Empoweryst

- This business operates in an environment where (a) clients take too long to make decisions and (b) our competitors easily tie a noose around client necks;
- The focus of the team has been on stage one of the selling process: prospecting;
- If you do a thorough job in understanding your clients, their needs, their concerns and their aspirations, chances are you can do better to close deals;
- Our prospecting process involves a due diligence on the decision makers who affect our sales prospects. Once we have an understanding of this, we can prepare bespoke proposals to address their requirements more precisely.



TAXATION

PAYE

PAYE is not an expense for businesses, it is an expense to employees, however, it does come out of the cash flows of a business and goes to 'creditor' SARS. If you have a large payroll, then one of the options available to you at this time is to request a deference from SARS.

IT

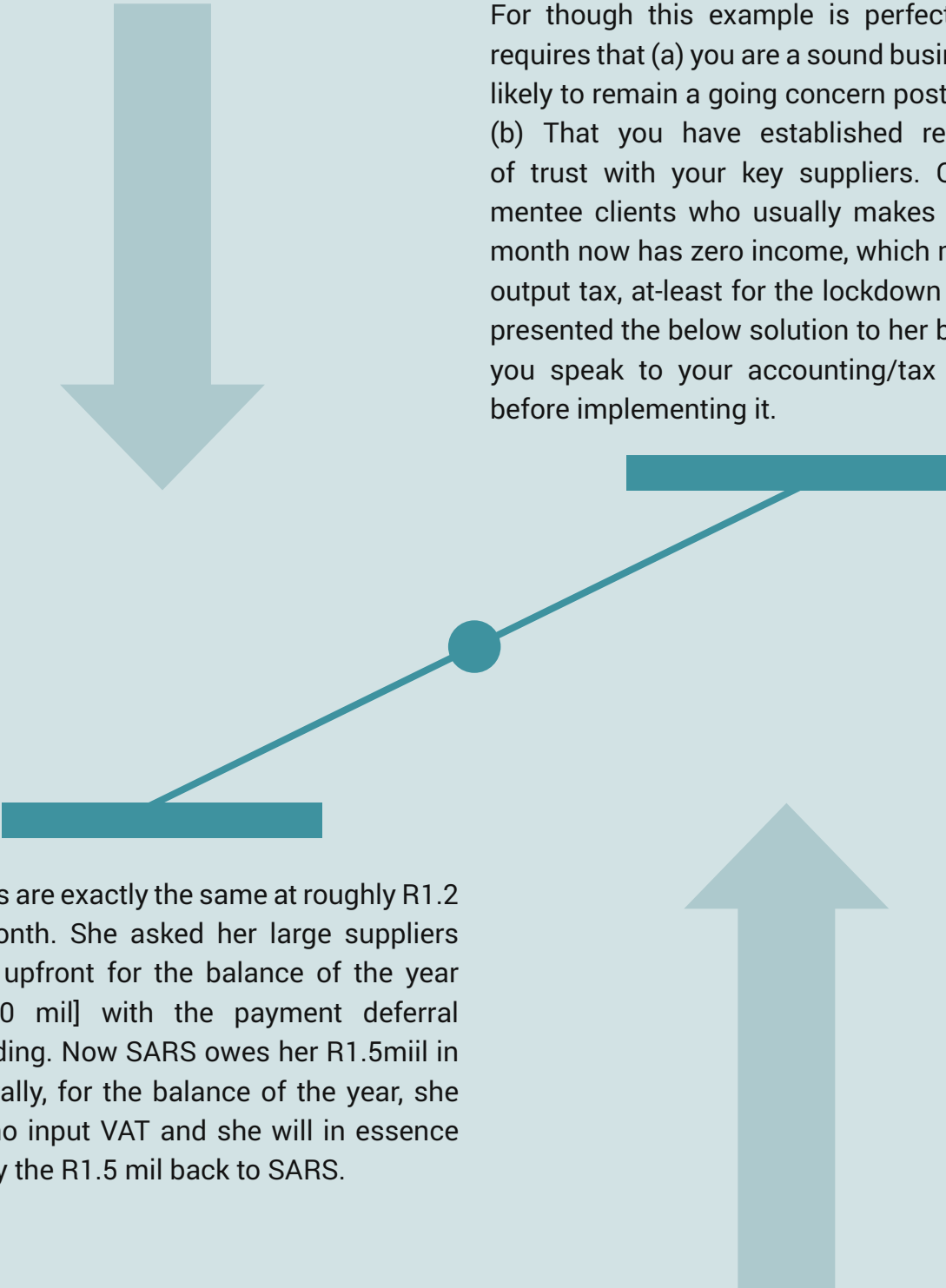
Similarly if you have income tax or provisional income tax payments due to SARS, this is a good time to request a penalty and interest free deference. It is common cause that SARS does allow arrangements for tax payers in good standing.

VAT

Technically, VAT works for you in this situation. Since your sales are dropping to near zero, your output VAT should be near zero as well. However, your expenses, even if deferred, still attract input VAT. This means that SARS will have to pay you the VAT difference. You can use this to prop up your cash flows.

VAT EXAMPLE

For though this example is perfectly legal, it requires that (a) you are a sound business that is likely to remain a going concern post COVID-19. (b) That you have established relationships of trust with your key suppliers. One of our mentee clients who usually makes R2 mil per month now has zero income, which means zero output tax, at-least for the lockdown period. We presented the below solution to her but suggest you speak to your accounting/tax consultant before implementing it.



Fixed Costs are exactly the same at roughly R1.2 mil per month. She asked her large suppliers to bill her upfront for the balance of the year [about R10 mil] with the payment deferral understanding. Now SARS owes her R1.5mil in VAT. Naturally, for the balance of the year, she will have no input VAT and she will in essence have to pay the R1.5 mil back to SARS.

BUSINESS RESCUE

- Based on section 129 of the Companies Act of 2008;
- A process that allows a company in financial distress to restructure and rehabilitate its operations.

What is it?

- Legally provides you with a moratorium on any legal proceedings that may be instated by creditors, shareholders or employees;
- Process is meant to provide a temporary reprieve to businesses that are savable.

Why Business Rescue?

- Company must be financially distressed – this means unlikely to meet its financial commitment for the upcoming 6 months;
- Applicants must prove that the company has a fair chance of recovery.

Criteria

- A business rescue practitioner oversees the affairs of the entity during the process. Essentially taking over the operations;
- There is a stay of all legal proceedings during the process;
- The business and jobs enjoy a higher probability of being saved.

Implications

RECAPITALIZATION

Quick sources of equity

One of the challenges faced by small business owners is letting go of the idea of owning 100% of it. If you are serious about your business's growth, consider getting investors who will take up a share in it. Examples:

- **Friends and Family** – ask them to co-invest in what you've now created. These are people you know and trust, hopefully they also trust you and are willing to invest in it;
- **Value Chain Investors** – also consider your suppliers and customers; investing in your business may give them the option of backward or forward integration and give you the funding you need to catapult your business forward.

Quick sources of debt funding

Another option is raising debt during difficult times.

Examples:

- Friends and Family (if they prefer lending you money and staying out of the risk side);
- Increase your business overdraft (unsecured line of credit);
- Request a bank loan [this could be a business/ personal loan] (you can provide security for this in the form of your debtors book, your house, other financial assets you own, etc).



BAILOUT

1

Your business may qualify for a Government bailout.

2

At the advent of the lockdown, Government announce several interventions aimed at alleviating the plight of small and informal businesses during this time.

3

This is discussed in detail over the next section (Part IV).

4

Suffice to say that these bailouts will be conditional grants awarded to your business to help you survive the lockdown.



PREPARING TO QUICKLY GET BACK ON THE SADDLE

Competitive Operational Restoration

1

Look out for signs of recovery. (e.g. number of daily cases drops dramatically, immunity drug or a vaccine is found).

2

Communicate and remind your clients where they can find you when lockdown is lifted.

3

Make attractive 'coming out' offers to incentivize purchasing behavior.

4

Continue to provide health and safety support measures to employees and customers.

5

Review areas of innovation and learnings from COVID-19 so as to hardwire new behaviors that will take your business forward.

6

Emerge as a new and improved version of yourself.



PUBLIC-PRIVATE SUPPORT

PUBLIC AND PRIVATE SECTOR INTERVENTIONS

Public Sector

1

Solidarity Relief Fund

2

SMME Debt Relief Finance Scheme

3

Business Growth/Resilience Facility

4

Temporary Employer/Employee Relief Scheme (UIF)

5

Tourism Relief Funding

6

SARS Relief Programmes

Private Sector

1

Banks

SOLIDARITY RESPONSE FUND

- The Solidarity Fund is an independently administered fund, which is envisaged to be the nerve center for the funding of the fight against the spread of COVID-19;
- So far, it looks like this fund is designed to receive tax-deductible donations and then use these proceeds to either directly, or through intermediaries, procure goods and services used in the fight against COVID-19;
- There doesn't seem to be a direct mechanism, unless you are an organized purpose fit NGO, to apply directly to the fund for financial relief if you are and affects small business.



The Fund has four (4) objectives

- To prevent the spread of COVID-19 through measures that flatten the curve. So far, this looks like the provisioning of hygiene and protective masks, gowns, gloves, goggles, etc;
- To detect the extent of the disease. This is mostly a function of testing;
- Care for those who are sick and/or hospitalized;
- Support those whose lives have been affected by the disease. The communication of this is not very clear, our approximation is that they are referring to the provision of basic needs for those whose livelihood have been displaced by the virus.

SMME DEBT RELIEF FINANCE SCHEME

1

The purpose of the Debt Relief Facility is strictly to assist small businesses that are experiencing financial challenges as a result of COVID-19. This Fund will not assist businesses that have been experiencing financial challenges prior to COVID-19.

2

To qualify for access to the fund, you have to register your business on the SMME South Africa platform using this link: <https://smmesa.gov.za/>. The actual application process will commence on 02 April 2020 on the same website.

3

The Fund will assist with the acquisition of Raw Material, Pay Labour and Operational costs in line with the existing cash flow patterns of the applicant businesses.

4

The application criteria is 100% South African ownership, 70% South African Employees and Compliance with SARS.

5

SMEs will have to provide evidence of how COVID-19 has directly impacted their businesses.

BUSINESS GROWTH/ RESILIENCE FACILITY

1

The primary difference between the Debt Relief Fund and the Growth/Resilience Fund is that the latter is effectively a soft loan (a loan undertaken on more relaxed terms compared to pure commercial loan terms).

2

The Growth and Resilience are targeted at SMEs that are manufacturing what could be considered essential goods. For example, if a country was importing gloves that are manufactured in another country prior to the outbreak, they can no longer receive the same volume because those countries are redirecting [the resources] to their own needs as they are also dealing with the pandemic.

3

This facility is to equip and enable SME's to be capable of manufacturing or producing the essential goods needed to combat COVID-19 and increase their output in order to meet the demand.

4

For businesses to qualify for funding, they need to meet the Government's definition of SMMEs.

TEMPORARY EMPLOYER/ EMPLOYEE RELIEF SCHEME (U.I.F)

1. On 26 March 2020 the Minister of Employment and Labour published a directive ("Directive") clarifying certain aspects of the Regulations to the Disaster Management Act 57 of 2002. The Directive is effective from 26 March 2020 for a period of three months and provides:
 - Due to the lock down employees may be laid off temporarily and may not be paid; whilst employers are encouraged to pay employees during this period they are not obliged to do so;
 - Where it is not economically possible for employers to pay employees a special benefit fund has been set up under the auspices of the Unemployment Insurance Fund ("UIF"); the TERS.
2. A company which has to close its operations for a period of three months or less due to the COVID-19 pandemic will qualify for TERS benefit, provided that:
 - The company is registered with the UIF;
 - The company must comply with the application procedure for the financial relief scheme; and
 - The company's closure must be directly linked to the COVID-19 pandemic.
3. The benefit shall be de-linked from the UIF's normal benefits and therefore the normal rule that for every four days worked the employee accumulates a one day's credit and the maximum credit days payable is 365 for every four years will not apply. The benefit will only be for the cost of salary for employees during the temporary closure.
4. The salary benefits will be capped to a maximum amount of R17,712 per month per employee and an employee will be paid in terms of the income replacement sliding scale (38%-60%) as provided for in the Unemployment Insurance Act.
5. This benefit will be at a flat rate equal to the minimum wage (R3 500) per employee for the duration of the shutdown or a maximum period of three months, whichever period is the shortest.
6. Employers must apply by reporting their closure via email to COVID19ters@labour.gov.za.

TOURISM RELIEF FUNDING

- Due to the lock down employees may be laid off temporarily and may not be paid; whilst employers are encouraged to pay employees during this period they are not obliged to do so;
- The Department of Tourism has made R200 million available to assist financially distressed SMMEs due to COVID-19;
- This intervention, among others, will help to cushion tourism businesses from economic difficulties;
- This Fund is meant to have the dual function of both helping tourism SME to survive, as well as making their transition back into business easier;
- The Fund will be administered by the provincial departments.

Businesses targeted

- Accommodation: Hotels; Resort properties and Bed and Breakfast (B&B's);
- Hospitality and Related Services: Restaurants (not attached to hotels); Conference facilities (not attached to hotels), Professional catering; Attractions;
- Travel and Related Services: Tour operators; Travel agents; Tourist guides; Car rental companies; and Coach Operators.

Application qualifying criteria

- Must be a formally registered with Companies and Intellectual Property Commission (CIPC);
- Turnover must not exceed R2.5 million per year;
- Must have a valid tax clearance certificate;
- Guaranteed employment for a minimum number of staff for a period of 3 months;
- Proof of minimum wage compliance;
- Prove that the relief is required as a result of the impact of COVID-19.

SARS RELIEF PROGRAMMES

Pay As You Earn (PAYE)

SMEs with a turnover of less than R50-million:

- May defer 20% of their prospective pay-as-you-earn (PAYE) liabilities over the next four months; and;
- May defer a portion of their provisional corporate income tax payments without penalties or interest over the next six months;
- In order to qualify for these deferrals, the enterprise must be fully tax compliant. Enterprises can check their tax compliance status via SARS eFiling.

Employee Tax Incentive

- Government has proposed an additional tax subsidy in the amount of up to R500 per month for the next four months per qualifying employee in the private sector;
- The existing ETI is aimed at supporting qualifying employees who earn below R6500 per month on a sliding scale based on salary where the employer is registered for PAYE;
- The employer is entitled to reduce the total amount of its PAYE liability by setting off the ETI amount calculated in respect of that month declaration of the virus as a pandemic.

Compensation Fund

- Any employee who falls ill pursuant to exposure to COVID-19 at work will be entitled to claim from the Compensation Fund.

UIF and SDL

- Government is proposing to suspend UIF and SDL contributions for four months and using the actuarial reserves in the UIF to support workers of SMEs and vulnerable firms who are faced with loss of income and whose employers cannot provide support.

PRIVATE SECTOR BANKS

Standard Bank

SMEs with a turnover of less than R50-million:

- Standard Bank's announcement that it would be instituting instalment relief for both SMEs and individuals who have taken out loans at the bank;
- The bank's small enterprise clients with a turnover of less than R20 million are granted a three-month instalment relief on their business loan repayments from 1 April 2020 to 30 June 2020.

Nedbank

- Nedbank stated that the bank will assist by deferring payments or portions of payments, extending loan periods and extending credit to better manage short-term cash flow shortfalls;
- Clients can speak to their dedicated relationship banker if they need to restructure their debt or change their payment arrangements as a consequence of COVID-19.

FNB

- FNB has also committed to support SMEs who are financially affected by the pandemic by stabilising cash flow.
- As well as providing relief to customers who need to cover unexpected expenses during this difficult time.

ABSA

- Relief for consumers, business banking and wealth customers;
- Bespoke solutions for corporate and business banking clients;
- Additional administration fees waived.



USEFUL CONTACTS

COVID-19 CONTACTS

Scheme / Department	Contact Person	Email / Website	Phone
SMME Debt Relief Finance Scheme	The Department of Small Business Development	info@mybindu.org.za/ info@mybindu.org.za www.dsbd.gov.za	
Solidarity Fund	Gloria Serobe	info@solidarityfund.co.za www.solidarityfund.co.za	0860 001 001
SARS	The Department of Employment and Labour	COVID19ters@labour.gov.za www.labour.gov.za	012 337 1997
Dti Incentive Schemes during COVID19	Department of Trade and Industry	tradeleadbulletin@thedti.gov.za www.thedti.gov.za	012 394 5792
Tourism Relief Funding	Hlengiwe Nhlabathi	hnhlabathi@tourism.gov.za www.tourism.gov.za	(T) 012 444 6772 (C) 064 754 8426
Standard Bank	The Department of Small Business Development Enterprise – Customer Care	businessassist@standardbank.co.za www.standardbank.co.za	0860 109 075
Nedbank	The Department of Small Business Development Enterprise – Customer Care	smallbusinessservices@nedbank.co.za www.together.nedbank.co.za	086 055 5111
First National Bank	The Department of Small Business Development Enterprise – Customer Care	businessdirectory@fnb.co.za www.fnb.co.za	011 371 3711
ABSA	The Department of Small Business Development Enterprise – Customer Care	mybusinessbanker@absa.co.za www.absa.co.za	0861 000 734
Temporary Employer/ Employee Relief Scheme Easy Aid	---	COVID19ters@labour.gov.za infoTERS@labour.gov.za	0860 663 7867

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A massive thank you to all the contributors to this booklet. In 7 days we have put together a comprehensive survival guide in aid of our country's SMEs.

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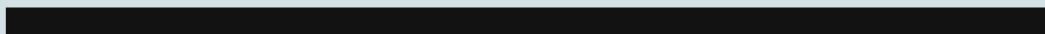
Mr Tshepo Phakathi – Editorial

MADE POSSIBLE BY



ANNEXURES

ANNEXURE A



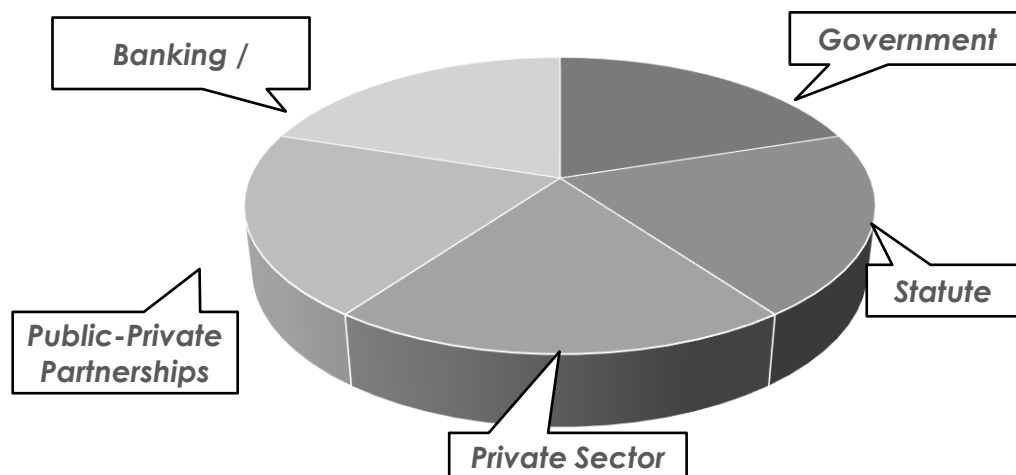
SCHINDLERS

attorneys - conveyancers - notaries

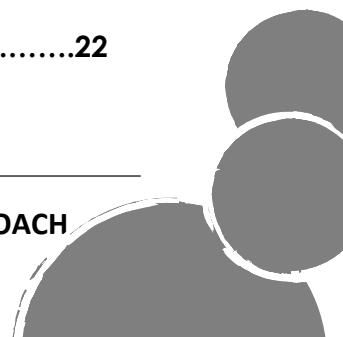
COVID19 - RELIEF AND SUPPORT OPTIONS: A MULTI-DISCIPLINARY APPROACH

*Government, Statutory, Public-Private Partnerships,
Banking/Insurance, Private Sector – As at 5 April 2020*

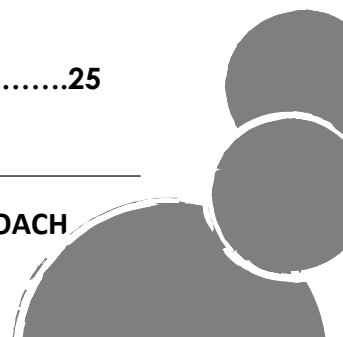
Relief and Support Options for South African businesses and individuals are evolving daily. Below is a high-level summary of the position as at 5 April 2020, divided into the following categories:



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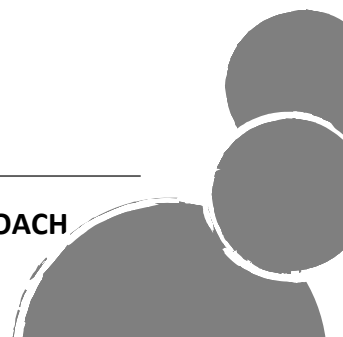
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1. GOVERNMENT – NEW MEASURES

1(a). UNEMPLOYMENT INSURANCE FUND (“UIF”)

These benefit categories are funded by the national Unemployment Insurance Fund (“UIF”) and each have their own set of benefit payments and eligibility requirements. These options act as a safety net for employees, arising from, amongst others, closure of businesses directly impacted by the national lockdown, unemployment, illness and quarantine of the employee or reduced time offered by employers. Importantly, the benefits claimable by the employees range from zero Rand (if the employer pays the employee during the period) to the difference between the benefit level and the amount received by the employee from the employer (subject to a maximum, and employees may not earn more than they would ordinarily earn).

1(a)(i). COVID-19 TEMPORARY EMPLOYEE / EMPLOYER RELIEF SCHEME (C19 TERS) – CAPPED AT R17,702 PER EMPLOYEE PER MONTH

The COVID-19 TERS states that should an employer, as a direct result of COVID-19, close its operations for a three month or lesser period and suffer financial distress, the employer shall qualify for a COVID-19 Temporary Relief Benefit. These benefits are delinked from the normal UIF benefits and form the normal TERS benefits.

The salary benefits are calculated in terms of the Unemployment Insurance Act, 2001, and are the same as maternity leave benefits *i.e. benefit* calculated on a

UIF sliding scale ranging from 38% (highest earners) to 60% (lowest earners) which scale stops at R17 702 per month and any employee earning more than this will only get the 38% maximum benefit which is R6 726.76 per month. If a company can still afford

to pay its employees a portion of their salaries, the COVID-19 TERS may be used to “top up” salaries.

1(a)(ii). C19 TERS ILLNESS BENEFITS

The COVID-19 TERS benefit extends the UIF illness benefit to employees who are quarantined for 14 days due to COVID-19, irrespective of whether the employee is ill or not.

1(a)(iii). NATIONAL DISASTER BENEFIT – CAPPED AT R3,500 PER EMPLOYEE PER MONTH

In the event that an employer decides, as a direct result of Covid-19, to close its business and send employees home, the employer can apply for the National Disaster Benefit. Unlike the COVID-19 TERS benefit which requires a company to be in financial distress, the National Disaster Benefits seemingly only requires an employer to shut its business.

The amount payable is fixed at a flat rate of R3 500 per month, per employee for the duration of the period which the employer has shut its business or a maximum period of 3 months, whichever is shorter. If an employee is ill, temporarily laid off or unemployed for longer than three months, the normal UIF benefits will apply.

Importantly, the benefits are delinked from the normal UIF benefits and, as such, the usual requirement that for every 4 days worked the employee accumulates 1 credit day does not apply.

The flat rate offered in terms of the National Disaster Benefit may be more beneficial to employees than the COVID-19 TERS which calculates benefits in terms of section 12 and 13 of the UIA. The

employer should consider which option best suits its employees' needs.

1(a)(iv). EXISTING UIF BENEFITS

The existing UIF benefits relating to unemployment benefits, illness benefits, maternity benefits, parental benefits, adoption benefits and dependents' benefits continue to apply. The existing benefits may not be claimed simultaneously to the COVID-19 relief benefits.

1(b). COMPENSATION FOR OCCUPATIONAL INJURIES AND DISEASES ACT

COVID-19 has been declared to be a compensable disease in terms of the Compensation for Occupational Injuries and Diseases Act 130 of 1993 ("**COIDA**").

Compensation is provided for "*occupationally-acquired COVID-19*" which means that the disease is contracted by an employee arising out of and in the course of his or her employment. In this respect, a claim can only be made to the

Compensation Fund if the employee satisfies certain pre-conditions.

Temporary Total Disablement ("**TTD**") is a level of disability which renders an employee completely unable to render any job function on a temporary basis. TTD payments shall be made for as long as such disablement continues but not for a period exceeding 30 days. In terms of suspected and unconfirmed cases, an employee must abide by self-quarantine practices as recommended by the World Health Organisation ("**WHO**") and the employer will be liable for remuneration for the days of absence. In respect of confirmed cases, TTD shall be paid from the date of diagnosis up to 30 days.

In the event that there are complications, the Commissioner has the right to review the case. In all accepted cases of COVID-19, medical aid shall be provided for a period of not more than 30 days from the date of diagnosis.

Lastly, if an employee dies as a result of occupationally-acquired COVID-19, reasonable burial expenses and widow's and dependents' pensions shall be payable, where applicable.

A "domestic employee employed as such in a private household" is not covered by COIDA and the employer may be liable for these costs.

1(c). DEBT RELIEF FINANCE SCHEME

The Debt Relief Fund is designed and tailored to provide financial relief on current debts and repayments of small, medium and micro enterprises ("**SMMEs**"). In order to qualify for assistance for funding, the SMME must demonstrate the direct relation/connection of the impact or the potential impact of the novel COVID-19 pandemic on its business operations. The Debt Relief Fund will also assist entities in acquiring raw material, paying labour and other operational costs.

These interventions will be planned to match the patterns of the SMMEs cash flow projections, as well as the extent of the affect suffered as a result of COVID-19 (not as a result of pre-existing difficulties).

To access the necessary finances, SMMEs are required to register on the SMME South Africa platform. This will require SMMEs to provide general information such as details of its shareholders, their employee demographics and whether they require financial assistance or non-financial assistance, amongst other information, which must be incorporated into its application.

In order to qualify for financial assistance, SMMEs must meet the following criteria:

- 100% owned by South African citizens;
- employ at least 70% South African nationals;
- be registered with the South African Revenue Service;
- be tax-compliant;
- must have been registered with CIPC by at least 28 February 2020;

- must be registered on <https://smmesa.gov.za>; and
- Priority will be given to businesses owned by women, youth and persons with disabilities.

1(d). BUSINESS GROWTH / RESILIENCE FACILITY

The key difference between the Debt Relief Fund and the Business Growth/Resilience Facility ("the Facility") is that the Facility acts as a soft loan and is targeted towards SMMEs that are manufacturing what could be considered as "*essential goods*".

The establishment of the Business Growth/Resilience Facility has been specially designed and tailored to ensure the autonomy and ultimate success of SMMEs in South Africa. The COVID-19 pandemic has had a severe impact on the financial prosperity of SMMEs who operate in compromised local and global markets. In accordance with the National Treasury Instruction Note No. 8 of 2019/2020, the Facility will provide much reprieve for SMMEs by offering a diverse range of financing options, which seek to alleviate the impact of the COVID-19 pandemic.

Considering the above, the Small Businesses Development Department has offered the Facility to SMMEs who manufacture or supply products as listed in the aforementioned Instruction Note. SMMEs operating in the logistical sphere are also invited to enrol on the website for support. The spectrum will offer a wide range of facilities to other spheres in due course.

In order to qualify for the above funding, there are specific criteria which must be met, which include the same criteria listed above for the Debt Relief Fund, as well as annual turnover thresholds for each sector in order to register on the national SMME database.

1(e). TOURISM RELIEF FUND

A R200 million fund has been made available by the Department of Tourism to assist SMME's and various tourism sub-sectors in the industry impacted by travel restrictions.

Preference will be given to SMME's in rural areas and townships and those owned by women, young people and people with disabilities.

To be eligible for assistance, the SMME must satisfy the applicable qualifying criteria.

1(f). SPAZA SHOP SUPPORT SCHEME

This just announced scheme will assist owner-operated spaza shops with seed and network capital or business buying and access to business support tools, such as bookkeeping. This will enable spaza shop operators to continue to operate, providing essential goods.

The operators will be required to obtain a permit to trade from the relevant local municipality. The Department of Small Business Development ("the DSBD") will also assist operators to register with the South African Revenue Service ("SARS"), the Unemployment Insurance Fund ("the UIF"), the Companies and Intellectual Property Commission ("the CIPC") and will further assist those that do not have bank accounts to open same. The operators must however be willing to buy locally made goods from designated South African Small Businesses.

The scheme will also encourage spaza shops to meet the required hygiene regulations during the National Lockdown.

South African citizens seeking to register for support are required to have South African Identity documents and a permit to trade, whilst foreign spaza shop owners are required to be admitted to South Africa "lawfully" and hold

valid passports with relevant business visas or permits allowing them to work or operate a business.

1(g). MUNICIPALITIES

Most municipalities have not provided any financial measures to support communities during the COVID-19 Lockdown.

One notable exception is the Stellenbosch Municipality which has offered the following relief measures:

- A payment reprieve/holiday on property rates, from 1 April to 30 June 2020;
- No interest will be charged for property rates billed over the abovementioned period (subject to certain criteria);
- Free basic water allocation for indigent residents will be increased from 6 to 10 kilolitres per household from 1 April to 30 June 2020; and
- A temporary suspension of all credit control measures and procedures will be implemented until the end of April 2020, meaning that all electricity meters that were blocked as a result of overdue accounts, will be unblocked and residents will be able to purchase and upload electricity freely during the abovementioned period.

The City of Johannesburg will reconnect all residents whose water and lights were cut due to non-payment and are considering relaxing some credit control policies to give businesses some relief during the 21-day Lockdown.

Many municipalities are not implementing credit control measures during the lockdown period (seemingly because they are unable to do).

1(h). RELAXED COMPETITION RULES FOR RETAIL SECTOR

The Minister of Trade, Industry and Competition has issued a block exemption ("the Exemption") for the Retail Property Sector.

The Exemption exempts a category of agreements or practices between designated retail property tenants and landlords from the application of section 4 (Agreements between competitors) and section 5 (Agreements between suppliers, firms and customers) of the Competition Act 89 of 1998 ("the Competition Act") at the request of and in coordination with the Department of Trade, Industry and Competition.

The Exemption applies solely to agreements or practices related to:

- payment holidays and/or rental discounts for tenants;
- limitations on the eviction of tenants; and
- suspensions or adjustments to lease agreement clauses that restrict retail tenants from undertaking reasonable measures required to protect their viability during the national crisis.

Further, the Exemption extends to South African designated retail tenants in the clothing, footwear, home textile, personal care services and restaurant sectors, including small and independent retailers, unless otherwise authorised by the Minister or the Competition Commission.

1(i). TAXATION AND TAX ADMINISTRATION – SPECIAL PROVISIONS

1(i)(i). PAY-AS-YOU-EARN ("PAYE")

POSTPONEMENT OF THE PAYMENT OF EMPLOYEES' TAX LIABILITY FOR TAX COMPLIANT SMALL TO MEDIUM SIZED BUSINESSES

Measures to assist tax compliant SMMEs to alleviate cash flow shortfalls during this period have been proposed

For the purposes of this proposal, SMMEs are small to medium sized businesses "*with an annual turnover not exceeding R50 million*".

In view of the above, the following tax measures are proposed for a period of four months from 1 April 2020 to 31 July 2020:

- Tax compliant SMME's will be allowed to postpone 20% of their PAYE liabilities over the next four months (from the payment due on 7 May), without SARS imposing administrative penalties and interest for the late payment thereof.
- The postponed PAYE liability must be paid to SARS in equal instalments over the six-month period commencing on 1 August 2020. Therefore, the first payment must be made on 7 September 2020.

Interest and penalties will however apply if the employer has understated the PAYE liability for any of the four months.

1(i)(ii). PROVISIONAL TAX

POSTPONEMENT OF THE PAYMENT OF PROVISIONAL TAX LIABILITY FOR TAX COMPLIANT SMALL TO MEDIUM SIZED BUSINESSES

The following tax measures have been proposed for a period of twelve months from 1 April 2020 to 31 March 2021:

- A portion of the payment of the first and second provisional tax payments will be postponed without the imposition of 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% of the estimated total tax liability (instead of 50%), while the second provisional tax

payment from 1 April 2020 to 31 March 2021 will be based on 65% of the estimated total tax liability (instead of 50%).

- Provisional taxpayers with postponed payments will be required to pay the full tax liability when making the third provisional tax payment to avoid interest charges.

EXAMPLE 1:

COMPANY A	FINANCIAL YEAR END	ESTIMATED TAX LIABILITY	P1	P2	P3	TOTAL PROVISIONAL TAX
	30-Jun-20	R3,000,000	31-Dec-19	30-Jun-20	31-Dec-20	
	<i>Current law</i>		50%	50%	0%	
			R1,500,000	R1,500,000	-	R3,000,000
	<i>Temporary relief</i>		50%	15%	35%	
			R1,500,000	R450,000	R1,050,000	R3,000,000
	CASH FLOW RELIEF			R1,050,000		

EXAMPLE 2:

COMPANY B	FINANCIAL YEAR END	ESTIMATED TAX LIABILITY	P1	P2	P3	TOTAL PROVISIONAL TAX
	28-Feb-21	R800,000	31-Aug-20	28-Feb-21	30-Sept-20	
	<i>Current law</i>		50%	50%	0%	
			R400,000	R400,000	-	R800,000
	<i>Temporary relief</i>		15%	50%	35%	
			R120,000	R400,000	R280,000	R800,000
	CASH FLOW RELIEF		R280,000			

1(i)(iii). EMPLOYMENT TAX INCENTIVE (“ETI”)

EXPANSION OF THE EMPLOYMENT TAX INCENTIVE AGE ELIGIBILITY CRITERIA AND AMOUNT CLAIMABLE

The Employment Tax Incentive (“ETI”) programme (“**the Programme**”) is aimed at encouraging employers to hire young and less experienced work seekers (also referred to as “**qualifying employees**”). It reduces an employer's cost of hiring young people through a cost-sharing mechanism with the government, while leaving the wage the employee receives unaffected.

The Programme allows for an employer to claim the ETI in respect of a *qualifying employee*:

- who is between the ages of 18 and 29; and
- has a monthly remuneration of less than R6,500.

The employer can only claim the said ETI for the first 24 months of the *qualifying employee*'s employment. They may claim a maximum of R1,000 per month per *qualifying employee* in the first year of employment and R500 in the second year of employment.

In order to assist with job retention, and assist businesses that may be experiencing significant distress, the Government has proposed expanding the Programme for a period of four months

- The maximum amount of ETI claimable during the four-month period for *qualifying employees* will be increased from R1,000 to R1,500 in the first year of employment and from R500 to R1,000 in the second year of employment.

- A monthly ETI claim in the amount of R500 will be allowed during the four-month period for employees from the ages of:
 - 18 to 29 who are no longer eligible for the ETI as the employer has already 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.

- SARS will further fast track the payment of the ETI reimbursements from twice a year to monthly to allow compliant employers to have cash on hand as soon as possible.

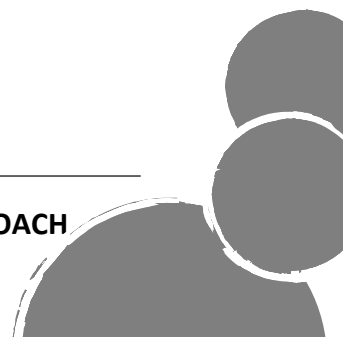
The above will however only apply to employers that were registered with SARS as at 1 March 2020.

EXAMPLE 1:

The employer has 5 employees earning R5,000 per month each. The employer can retain up to an additional R2,500 from the employer's PAYE liability each month between April and July.

EXAMPLE 2:

The employer has 3 employees. The employer claims the ETI for employee A, the employer exhausted ETI claims for the 25-year old employee B two years ago, and employee C is 36 years old and has never been a qualifying employee. The employees each earn R3,000 per month. The employer will be able to retain R2,000 per month. Since there are only 3 employees, the amount will likely be claimed as a reimbursement from SARS.



	REMUNERATION	ETI	EXPANDED ETI	TOTAL
EMPLOYEE A	R3,000	R1,000	R500	R1,500
EMPLOYEE B	R3,000		R500	R500
EMPLOYEE C	R3,000		R500	R500
TOTAL	R12,000			R2,000

1(i)(iv). VALUE ADDED TAX (“VAT”) AND CUSTOMS DUTY RELIEF FOR IMPORTERS OF “ESSENTIAL GOODS”

SARS announced that the importation of “essential goods” as defined in Regulation to the Government Gazette of 25 March 2020 issued under the Disaster Management Act 57 of 2002 (“the Disaster Management Act”), will be exempt from VAT under Schedule 1 to the VAT Act 89 of 1991 (“the VAT Act”).

Further, on 29 March 2020, SARS included a full rebate of customs duty under Schedule 4 to the Customs and Excise Act 91 of 1964 (“the Customs and Excise Act”).

The goods listed under Schedule 1 of the VAT Act include, *inter alia*, goods imported for the relief of distressed persons in cases of famine or other national disaster. This relief is granted provided that an import certificate is obtained from the *International Trade Administration Commission* (“ITAC”) and that such goods shall not be sold or disposed of to any party who is not entitled to any privileges thereunder.

A comprehensive list of the qualifying goods is available on the ITAC website. The website also provides detailed guidelines on the procedures to follow to apply for the abovementioned certificate. It is important to note however that the VAT exemption only applies to the importation and not to the supply of essential goods by a vendor in the course or furtherance of his enterprise.

1(f)(iv). SUMMARY OF SPECIAL PROVISIONS

	TAX SUBSIDY	PROVISIONAL CORPORATE INCOME TAX PAYMENTS	POSTPONEMENT OF PAYE LIABILITIES	SARS ETI PAYMENTS
RELIEF	R500 per month for the next 4 months	Portion of provisional payments over the next 6 months with no penalties or interest	Company allowed to postpone 20% of PAYE liabilities without penalties or interest for the next 4 months	ETI reimbursements paid monthly and not twice a year
REQUIREMENTS	Only for employees earning less than R6,500 under the ETI	Turnover less than R50 million	Turnover less than R50 million	Normal ETI rules

NOTE:

The above information was extracted and adapted from the draft explanatory notes detailing the COVID-19 tax measures and the circumstances under which they will apply. These measures will be legislated pursuant to two Bills, namely the Disaster Management Tax Relief Bill and the Disaster Management tax Relief Administration Bill which will be tabled when parliament reconvenes later this year for retrospective enactment. Same were published for public comment alongside their draft explanatory memorandum on the National Treasury and SARS websites on 1 April 2020.

1(j). IDC COVID-19 ESSENTIAL SUPPLIES INTERVENTION

The Industrial Development Corporation ("**IDC**") has established this intervention with the primary aim of providing funding to companies in order to acquire and/or manufacture and supply essential supplies on an urgent basis to combat the COVID-19 pandemic.

The IDC will provide support *inter alia* in the following ways:

- R500 million for trade finance to import essential medical products
- Short term loans to companies for once-off contract of import funding

1(k). MCEP COVID-19 PROGRAMME

The Manufacturing Competitiveness Enhancement Programme (“**MCEP**”) has offered funding towards manufacturing companies that provide essential products that have become scarce due to the high demand caused by the outbreak of the COVID-19 pandemic. Funding will however be limited to a R30 million per applicant in total.

2. GOVERNMENT – EXISTING STATUTE

2(a). BASIC CONDITIONS OF EMPLOYMENT ACT

2(a)(i). ANNUAL LEAVE

The general rule is that annual leave is determined by the employer.

The current situation is no different. Employers are entitled to place employees on mandatory annual leave during the period of Lockdown.

The employer’s ability to do so is subject to the terms of the employment contract and relevant leave policies. It is preferable to reach an agreement with employees in this regard.

2(a)(ii). NO WORK/NO PAY

The duty to pay wages arises as a reciprocal obligation to services rendered by employees. If an employee is prohibited from rendering his/her service (through no fault of the employer), then

employer is not obliged to pay the employee's wage. The principle of "no work no pay" is applicable during the Lockdown period.

2(a)(iii). WHAT ABOUT WORKING FROM HOME?

Employees do not have a right to work from home. Employees must work at the direction of the employer and as agreed in terms of the employment agreement. If it is a viable option, and at the discretion of the employer, working from home may be permitted. In such circumstances, employees are entitled to their full remuneration and benefits (as if they were working at their usual workplace).

2(b). LABOUR RELATIONS ACT

The Labour Relations Act 66 of 1995 ("LRA") ensures that every employee has the right not to be unfairly treated or dismissed. These rights apply even during the COVID-19 pandemic. Prior to any retrenchment (including temporary lay-off, reduced working hours, or reduced pay) or dismissal, the employer must ensure that there is a substantively fair reason for the dismissal and that a substantively fair process has been followed.

2(c). TAXATION – EXISTING PROVISIONS

Late payments (or partial late payments (ie. short payments)) of Provisional Tax, PAYE and Value Added Tax attract an automatic 10% late payment penalty.

If a taxpayer is "incapable" of complying with its payment obligations, SARS must remit the penalty, or a portion thereof. Incapability of payment can arise from a natural or human-made disaster, as well as a civil disturbance, or disruption in services.

In addition, if payment of these taxes would result in an immediate danger to the continuity of the taxpayer's business operations and the employment of its employees, the penalties, or a portion thereof, should be remitted.

SARS has issued a binding ruling which refers to the Covid-19 pandemic as "beyond the control" of taxpayers.

2(d). BUSINESS RESCUE AND LIQUIDATION

2(d)(i). BUSINESS RESCUE

Business rescue is an alternative to liquidation for companies which find themselves in financial distress, but which have reasonable prospects of being turned around. It allows for the rehabilitation of financially distressed companies by restructuring their affairs and failing that the winding up of such companies in an orderly fashion at maximum benefit to creditors, without resorting to liquidation.

2(d)(ii). LIQUIDATION

Corporations that are insolvent and have no prospects of recovery should be liquidated, either by the company itself, or by its creditors (if there is any advantage to creditors in doing so).

2(d)(iii). COVID BUSINESS RESCUE ASSISTANCE ("COBRA")

Schindlers Attorneys, IQ Business, Engaged Business Turnaround and Agility have formed a consortium to bring their extensive legal, accounting, technology and business turnaround expertise to help businesses in financial distress.

Together, these businesses have launched a crisis management centre called the COBRA (Covid Business Rescue Assistance) War Room.

The initiative aims to assist and sustain South African businesses through the Covid-19 crisis with free services to help them receive coordinated bank, government and stakeholder support. If required, a structured business rescue process can be initiated, with the objective of rehabilitating affected companies.

Those who need urgent business rescue support are encouraged to visit the COBRA War Room website for more information: www.COBRA.org.za

2(e). DEBT REVIEW AND SEQUESTRATION

2(e)(i). DEBT REVIEW

This is a process similar to Business Rescue, but for individuals who are unable to pay their creditors, but may be able to do so if given time to re-arrange their affairs and settle creditors in an orderly fashion on renegotiated terms.

2(e)(ii). SEQUESTRATION

This is a process similar to Liquidation, but for individuals who are unable to pay their creditors, with no prospect of recovery.

3. PUBLIC-PRIVATE PARTNERSHIPS

3(a). THE SOLIDARITY FUND

The Solidarity Fund ("**the Fund**") is designed to be an umbrella platform for all South Africans to contribute towards the fight against the COVID-19

pandemic. The aim of the fund is to pool contributions from all sectors of society. The fund is currently not offering financial support to individual South Africans or SMME's.

The pooled contributions will be used to provide direct support for the healthcare system. It will procure supplies for both the private and public healthcare sector in order to increase the capacity of the healthcare system. The Fund also aims to provide humanitarian aid and support to vulnerable persons and will also embark upon a solidarity campaign which will mobilise the citizenry to take an active role in the fight against the COVID-19 pandemic. In this regard, R100 million has been made available through the Fund for the procurement of additional personal protective equipment for health workers.

4. BANKING/INSURANCE

4(a). BANKING

All Banks have waived the Saswitch ATM cash withdrawal fee during COVID-19 Lockdown period. This means that no punitive fee will apply when one withdraws cash using an ATM of another Bank. This came into effect on 28 March 2020 and will apply to most accounts until mid-night on 16 April 2020.

4(a)(i). STANDARD BANK OF SOUTH AFRICA LTD

Standard Bank has offered a payment holiday to SMME's for the period 1 April 2020 to 30 June 2020. Relief has also been offered to small businesses, students and bond homeowners.

4(a)(ii). ABSA LTD

ABSA's corporate and business clients are offered solutions based on their unique requirements and operations. The ABSA

relief programme for retail clients offers a 3 month payment holiday and allows customers to reduce their monthly repayments. Bond homeowners may also apply for relief.

4(a)(iii). NEDBANK LTD

Nedbank is offering individualized solutions to its Clients in the following forms of individualized relief:

- Payment arrangements
- Payment holidays
- Restructures

Nedbank clients requiring an early release on investment funds **(to supplement cash flow challenges)**, may withdraw these funds without penalty fees being charged. Nedbank will waive the penalty fee on early withdrawal, up to a maximum of R200,000 at an overall portfolio level. This offer will apply between 24 March 2020 and 30 June 2020. Clients must confirm, in writing, that the early release request is due to income shortfall.

4(a)(iv). FIRST NATIONAL BANK (“FNB”) / RAND MERCHANT BANK (“RMB”)

FNB has adopted the following measures, effective from 1 April 2020 until 30 June 2020:

- Instalment cashflow relief, during which part or no instalments/repayments will be due for a specific period. A preferential interest rate will apply to the COVID-19 relief interventions given.
- No fees will be charged for any relief granted;
- Assistance with processing credit insurance claims, where possible;
- Individualized bridge facilities for those who need it.

It is important to note that Interest and fees will continue to accumulate on outstanding balances.

4(b). INSURANCE

4(b)(i). CREDIT INSURANCE

Credit insurance is often mandatory when concluding loan and finance agreements. It is payable, amongst others, in the event of a borrower's inability to meet obligations under a credit agreement due to unemployment or loss of earnings.

(4)(b)(ii). INSURANCE RIGHTS UNDER TYPICAL EXISTING POLICIES FOR BUSINESS INTERRUPTION

Business Interruption ("BI") cover is offered by insurers to compensate businesses for pecuniary loss suffered due to an unforeseen business interruption, which is resultant from either physical damage to the insured property, which contributes to the running of the business, or another key external event or peril, which event has caused an unforeseen BI and which peril is specifically included in the policy schedule and/or policy wording as being covered.

- **THE PURPOSE:**
 - to reinstate the business to the same financial position that it would have occupied, had the loss not occurred (subject to the limit of indemnity contained in the policy schedule); and
 - to cater for any additional costs incurred by the insured as a result of the BI in order to minimise further loss of revenue (costs of mitigation), which could

include the increased cost of working incurred by the insured as a result of the BI.

- **COVER WHERE BI IS AS A RESULT OF COVID-19:**

To determine if a business is covered for BI caused by COVID-19, the business needs to check, firstly, whether the business actually has BI cover and, secondly, whether the BI cover extends to interruptions caused by infectious diseases (or something similar). Ordinarily, BI insurance only covers interference with a business as a consequence of physical damage to property due to fire, a natural disaster (storm, wind, lightning, earthquake, etc.). Damage as a result of an infectious disease, is often excluded because infectious diseases do not normally result in physical damage to the insured's property. Accordingly, an insured's policy schedule and policy wording will need to be carefully examined, to determine whether infectious diseases are specifically included in the BI cover.

Another possibility for the insured may be to check if the policy schedule/wording provides BI cover in instances where the government declares a national shutdown, such as the one we currently find ourselves in.

BI cover, like all insurance cover, is subject to the terms and conditions of the policy schedule and policy wording. Accordingly, cover that is not already catered for in the policy documents cannot be later read into the policy.

5. PRIVATE SECTOR

5(a). SUKUMA RELIEF PROGRAMME

The Rupert Family and Remgro Limited have donated R1 billion to alleviate the impact of the COVID-19 crisis. The donation is managed by Business/Partners (Pty) Ltd who have set up a platform called the *Sukuma Relief Programme* ("**The Programme**"). The Programme offers distinct and separate financial aid to formal sole proprietors, close corporations, companies and trusts.

5(a)(i). SOLE PROPRIETORS

For formal sole proprietors, a grant of R25,000 per qualifying business is offered.

5(a)(ii). CLOSE CORPORATIONS, COMPANIES AND TRUSTS

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 R100 Million coupled with a non-payable grant of R25,000 per qualifying business. The loan portion will be interest free for 12 months with no repayment obligations during this period. However, after 12 months, the loan is repayable and will incur interest at the prime rate from month 13. There is no security requirement for the loan.

All applicants are required to provide evidence of financial activity prior to the COVID-19 outbreak, as well as be both tax and regulatory compliant, and be formally registered in the case of close corporations, companies and trusts.

The application platform which is only available online provides that the process is simple and fast and will be done through electronic communication. Applicants are requested to submit all required documents in their application which will be reviewed by knowledgeable and experienced investments teams and if successful, can expect the financial aid in the form of one single payment within 7 working days of their application.

5(b). SOUTH AFRICA FUTURE TRUST

The Oppenheimer family have donated R1 Billion to alleviate the impact of the COVID-19 crisis on the employees of SMME's.

This donation has been used to establish the South Africa Future Trust ("SAFT").

SAFT allows SMMEs to apply for an interest free loan (for the benefit of their employees) repayable by the SMME within five years.

"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"

"SMMEs submit any supporting documentation on behalf of their staff as required. Qualifying employees receive funds directly from the partner bank."

Eligibility includes annual turnover of below R25m, trading for at least 2 years, sustainable business as on 29 February and demonstrated adverse impact due to Covid-19.

6. CONCLUSION

It is imperative that businesses do a comprehensive assessment before making applications for relief. It is advisable to seek counsel/legal advices before making application in order to prevent avoidable rejections.

Schindlers Attorneys, Notaries and Conveyancers are fully operational and available to assist you should you require any advice in respect of the above.

DISCLAIMER:

This circular is intended as an easy reference guide in South Africa. The information contained herein is a summary of some of the key issues and an overview of relevant legislation. Due to time and space limitations, specific details affecting the businessperson may not have been covered. This circular should therefore not be relied upon for detailed planning, but for guidance only. The reader is advised

to consult a professional adviser for specific advice and information, and for guidance on new and existing legislation which may affect business and personal planning. This circular should not be treated as a substitute for advice. Professional advice must therefore be sought in relation to any aspect referred to in this circular. While every care has been taken in the compilation of this circular, no responsibility of any nature whatsoever shall be accepted for any inaccuracies, errors or omissions herein.

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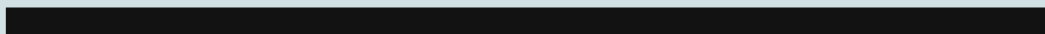
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ANNEXURE B



Covid-19 Crisis funding support for South African businesses



COVID-19 Crisis

Businesses across the globe have been impacted by the recent pandemic, and many entrepreneurs are looking for funding or financial relief to assist them to survive or thrive. This is a brief funding guide specifically for registered, tax compliant businesses in South Africa.

IS YOUR BUSINESS UNDER STRESS, DIRECTLY DUE TO COVID-19 OUTBREAK?

Sector Relief Funding - Tourism, Sports, Arts & Culture, Agriculture.



- Many government departments are providing sector specific funding.
- **Hospitality & Tourism:** R200 million fund for tourism and hospitality sector businesses with annual turnover of < R2.5 million. Preference will be given to applicants in rural areas, townships, women, young people & people with disabilities. www.tourism.gov.za
- **Sports, Arts & Culture:** R150 million fund for cancelled events, digital solutions and a wide array of projects. More details & applications available the website www.dac.gov.za
- **Agriculture:** R1.2 billion fund for agricultural support & relief. More information available via www.daff.gov.za

SME Debt Relief Fund



- Department of Small Business Development
- Working capital, stock, bridging finance, order finance & equipment finance.
- Amount based on business needs, interest rate of prime -5%,
- Preference will be given to women and youth applicants.
- Register on www.smmesa.gov.za.

Sukuma Relief Fund - Business Partners



- Available for all industries but must have evidence of financial viability prior to Covid-19 as well as be tax & regulatory compliant.
- **Close corps, companies and trusts:** must be registered, unsecured interest-bearing loan of R250, 000 - R1 million coupled with a non-repayable grant of R25,000. 60-month max loan term. No repayment obligations in yr 1, no interest for yr 1, interest at prime and repayment commence from yr 2
- **Sole proprietors:** Non-repayable grant of R25,000. Must be registered and compliant, and employing 2 or more people.
- Online application process only, payouts in 7 days.
- Apply at <https://finance.businesspartners.co.za/welcome-to-the-sukuma-relief-programme/>

IDC Working Capital Support



- Provision of short-term working capital for the Mining & Minerals, Agriculture & Agro-processing, and Automotive sectors.
- More information is available at www.idc.co.za

IS YOUR BUSINESS WELL POSITIONED TO PROVIDE ESSENTIAL SUPPLIES OR SERVICES?

SME Growth & Resilience Fund

- Working capital (only direct costs), stock, bridging finance, purchase order finance and capital equipment finance for SMMEs (gov definition per sector) that manufacture locally or supply items which are in demand due to the pandemic.
- Loan facilities provided at Prime - 5% pa.
- Priority will be given to businesses owned by Women, Youth and People with Disabilities
- More information and applications available at www.smmesa.gov.za



IDC COVID-19 Essential Supplies Intervention

- Soft loan for companies for the acquisition and/or the manufacturing of essential supplies on an urgent basis to combat the Covid-19 pandemic.
- Short-term (3 month) loans available for once off- contract or import funding.
- Must have contract orders in place or proof of demand.
- More information is available at www.idc.co.za



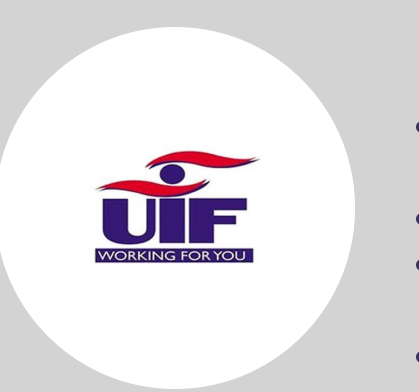
NEF Covid-19 Fund

- Funding for working capital, machinery and equipment to manufacture and supply a range of medical products.
- R500 000 to R10 million concessionary loan for black-owned businesses with existing retail supplier relationships.
- Up to 60 months repayment, 0% interest in first year.
- Applications open through NEF website www.nefcorp.co.za



ARE YOU STRUGGLING TO PAY YOUR TEAM'S SALARIES DUE TO LOCKDOWN?

UIF Covid-19 Temporary Relief Benefit



- Temporary UIF relief fund for businesses that suffer distress directly due to Covid-19 - claims for 3 months or less.
- You need to be up-to-date with all UIF payments
- Employee will be paid in terms of the income replacement rate sliding scale (38% -60%) as provided in the UI Act, max R17 712 per month.
- Businesses to apply on behalf of employees.
- Email applying documents to covid19ters@labour.gov.za.

SA Future Trust (SAFT)



- Salary support for SMEs < R25 million annual revenue.
- Must be under stress directly due to Covid-19 outbreak and in strong financial position prior to crisis.
- Interest-free loan with 5-year term, paid directly to employees from banks.
- R750 per qualifying employee per week, over a max period of 15 weeks, or R11 250 per permanent employee
- Standard Bank, Nedbank, FNB and Absa to manage applications and weekly payment.
- More information available at <https://opp-gen.com/saft/>

AND YES, THERE IS SOME TAX RELIEF...



PAYE Businesses with a turnover of less than ZAR 50 million will be allowed to delay 20% of their pay-as-you-earn (PAYE) liabilities over the next 4 months.

ETI All businesses, regardless of size, can apply for extended and increased Employment Tax Incentive (ETI) claims. ETI payouts changed to monthly.

Provisional Tax For IRP601 return (1st provisional tax return of 2020/ 2021) You will be required to pay only 15% of your total estimated provisional tax

Tax Subsidy Employees who earn R6,500 or less will receive a tax subsidy of R500 per month over the next four months.

More details on VAT relief on essential goods and imports available on the SARS website www.sars.gov.za

Emergency Hotline: 0800 029 999
WhatsApp Support Line: 0600-123456

COVID-19 Online Resource & News Portal
SACoronavirus.co.za

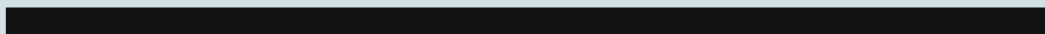


www.fraserconsulting.co.za

Designed and developed by the Fraser Consulting team

This infographic is for information purposes only and has been developed from publicly available information. Please visit the appropriate websites to access the most recent information. If you have a funding source you think should be added, please email claire@fraserconsulting.co.za and we will add it to our list which will constantly be updated. Please access the latest data base of funding available at <https://bit.ly/2JPltSE>. Published on 7 April 2020.

ANNEXURE C



COVID-19 RELIEF FUNDING / LOAN PACKAGES OFFERED

	Name of initiative	Target market	Type of relief	Application process
1	<p>South African Future Trust (SAFT)</p> <p>Administered by Oppenheimer Generations</p> <p>Total fund: R1bn</p>	<p>SMMES</p> <ul style="list-style-type: none"> • <R25m turnover. • In good standing as at 29 Feb 2020. • Trading for min 2 years. • Impacted by Covid-19. 	<ul style="list-style-type: none"> • An interest-free, 5-year loan to the business entity. • Exclusively for the purpose of paying permanent employees. • Repayable at the end of the term. <p>NB:</p> <ul style="list-style-type: none"> • Proceeds of the loans will be paid directly into the accounts of the participating employees. • Employees are not liable for repayment of this loan. <p>Funding available:</p> <ul style="list-style-type: none"> • R750 weekly wage per employee for 15 weeks = R11250 per employee. • No limit to the number of employees per business. 	<p>SMMES should register their interest directly with their bank. Currently this scheme is limited to clients of ABSA, FirstRand Bank, Nedbank, and Standard Bank.</p> <p>https://oppenheimer.com/saft/#required-documentation</p>
2	<p>Debt Relief Finance Scheme</p> <p>Administered by Department of Small Business</p> <p>Total fund: R200m</p>	<p>Existing businesses negatively impacted by Covid-19.</p> <p>Must be:</p> <ul style="list-style-type: none"> • CIPC-registered companies • 100%-owned by SA citizens • 70% of employees are SA citizens • Registered with SARS; tax-compliant • UIF compliant 	<p>Loan funding @ Prime-5%: Working capital: Stock, bridging finance Purchase order finance Capital requirement finance</p>	<ol style="list-style-type: none"> 1. Register your business on the small-business database https://smmesa.gov.za/ 2. Then complete an application form and upload supporting docs. <p>Contact debtrelief@seda.org.za for assistance with micro-enterprises</p>
3	<p>Business Growth/ Resilience Facility</p> <p>Administered by Department of Small Business Development</p> <p>Total fund: R300m</p>	<p>Existing businesses geared to take advantage of supply opportunities resulting from Covid-19 or shortage of goods in local market, especially with regard to medical supplies and critical non-food essentials.</p> <p>Must be:</p> <ul style="list-style-type: none"> • CIPC-registered companies • 100%-owned by SA citizens • 70% of employees are SA citizens • Registered with SARS; tax-compliant • UIF compliant 	<p>Loan funding @ Prime-5%: Working capital: Stock, bridging finance Purchase order finance Capital requirement finance</p>	<ol style="list-style-type: none"> 1. Register your business on the small-business database https://smmesa.gov.za/ 2. Then complete an application form and upload supporting docs. <p>Contact growthfund@seda.org.za for assistance with micro-enterprises</p>
4	<p>Spaza Shop Grant Funding</p> <p>Administered by Department of Small Business in collaboration with SEFA</p> <p>Total fund: R30m</p>	<p>Sole props operating spaza shops</p>	<p>R10 000 (with a possible R5 000 being made available as a second phase) for purchasing a basket of essential goods at a discounted price for a period of three months from participating wholesalers</p>	<p>Not yet available</p>
5	<p>Informal trade stipends</p> <p>Administered by Department of Small Business</p> <p>Total fund: R100m (not yet funded)</p>	<p>Informal traders</p>		<p>Not yet available</p>

COVID-19 RELIEF FUNDING / LOAN PACKAGES OFFERED

	Name of initiative	Target market	Type of relief	Application process
6	<p>Tourism Relief Funding</p> <p>Administered by Department of Tourism</p> <p>Total fund: 200m</p>	<p>Tourism and hospitality industry CIPC-registered and in existence >1year with/over ≤R2.5m pa, tax clearance, UIF-registered and proof of min wage compliance.</p>	<p>Funding available to assist SMEs in the tourism and hospitality sector, who are under particular stress due to the new travel restrictions.</p>	<p>Contact Ms Hlengiwe Nhlabathi hnhlabathi@tourism.gov.za</p>
7	<p>IDC Covid-19 Essential Supplies Intervention</p> <p>Administered by Industrial Development Corporation</p> <p>Funding available: R500m</p>	<p>Essential supplies: Companies with mnfr track record. Experience to import at scale. Accredited supplier with contract or purchase order or corporate guarantee.</p>	<ul style="list-style-type: none"> • Short-term loan. • Revolving credit facility. • Guarantees to banks for banking facilities, imports, ordering requirements. • IDC loan and trade finance facilities: P + 1%pa. • Guarantees: 2% pa. 	<p>Submit documents to callcentre@idc.co.za; or contact Mr Gerrit Claassen at 011269 3482; or Mr Rishel at 011269 3261 for more info</p> <p>https://citypress.news24.com/Business/essential-business-support-20200401</p>
8	<p>MCEP Covid-19 Programme</p> <p>Administered by Industrial Development Corporation</p> <p>Funding available: R300m</p>	<ul style="list-style-type: none"> • Companies that manufacture and provide essential supplies and have been existence > 1year. • Valid contract/purchase order or letter of intent. • Companies with BBBEE Level 4 will be encouraged. 	<ul style="list-style-type: none"> • MCEP funding can be standalone or blended with IDC. • Limited to R30 million per applicant in total. • Priced at a fixed rate of 2.5% per annum. • Maximum term is 48 months, including moratorium. • First drawdown must occur within one month from approval date. • Raising and commitment fees are excluded. • All other standard fees are applicable. 	<p>Submit documents to callcentre@idc.co.za</p>
9	<p>Covid-19 Temporary Employer/Employee Relief Scheme (TRS)</p> <p>Administered by National Disaster Benefit and UIF</p>	<p>Businesses registered with UIF</p>	<p>Replacement of lost income to employees during temporary closure of business and for employees in quarantine.</p> <p>The salary benefits will be capped to a max amount of R17712pm per employee and an employee will be paid in terms of the income replacement rate sliding scale (38 % -60%) as provided in the Ui Act.</p>	<p>The employer to apply by reporting their closure by email to Covid19ters@labour.gov.za, an automatic response outlining the application process will be received.</p> <p>Contact Covid19ters@labour.gov.za</p>
10	<p>National Empowerment Fund - COVID-19 Black Business Funding Solution</p> <p>Funding available: R200M</p>		<p>R200 million has been set aside under the COVID-19 Black Business Fund as a blended facility for SMEs that manufacture and supply Identified Priority Products (including food) to access concessionary loan funding.</p> <p>Funding of R500 000 - R10 million</p>	<p>Required documents:</p> <ul style="list-style-type: none"> • Declaration on BEE status and size of business. • NEF application form (accessible on NEF website: www.nefcorp.co.za). • Summary of production in the last 3 months. • Copy of the financial statements (up to 3 years). • Signed copy of the contract or purchase order from the applicant's client/s. • Financial forecast for the duration of the contract, order, or letter of intent. • Additional information that would be necessary to enhance the application may be requested by the NEF as and when deemed necessary.

COVID-19 RELIEF FUNDING / LOAN PACKAGES OFFERED

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Name of initiative	Target market	Type of relief	Application process
<p>COVID-19 SME FUND</p> <p>Administered by Business Partners (Rupert Foundation & Remgro)</p> <p>Total fund: 900m</p>	<p>For working capital (Salaries, rent, HPs, Loan installments)</p>	<p>Transaction Value - Loans between R250 000 - R1 000 000</p> <p>Cost of finance:</p> <p>M1 - M12 0%, payment holiday for first 12 months, no early payment implications</p> <p>M12 - M60 Prime interest, no early payment implications</p>	<p>Qualifying Criteria:</p> <p>Feb 2019 AFS signed (non negotiable)</p> <p>Fully compliant entity</p> <p>Formal registered entity</p> <p>Ownership does not have to be SA Citizens</p> <p>Excludes: Direct agriculture, non-profit organisations, Underground mining, On-lending</p> <p>https://www.businesspartners.co.za/en-za/apply-enquire/what-you-need-to-apply</p>

OTHER COVID-19 SUPPORT TO SME'S

	Name of initiative	Target market	Type of relief	Application process
1	<p>Covid-19 Business Rescue Assistance (COBRA)</p> <p>Administered by Consortium:</p> <ul style="list-style-type: none"> • Schindlers Attorneys • IQ Business • Engaged 	SMMEs	<ul style="list-style-type: none"> • Free daily (small group) and weekly (large group) webinars to share information/guide business leaders. • COBRA War Room - business support to avoid business rescue (pro bono or discounted fees). • Knowledge base and expert Wiki to consolidate information, policy updates and support for enterprises from external stakeholders (eg banks, Government, CIPC, associations). 	Contact www.cobra.org.za
2	<p>Training Layoff Scheme</p> <p>Administered by CCMA and SETA</p> <p>Training allowance up to 50% of wage with max of R6 239,00 pm</p>	Businesses compliant with statutory obligations	Training allowances by CCMA replacing wages	Contact CCMA to be approached

TAX RELIEF MEASURES

Name of initiative	Target market	Type of relief	Application process
Covid-19 Tax relief Administered by SARS	Tax-compliant SMEs < R50m and their employees eligible under the current ETI Act	Tax subsidy to employers of up to R500 pm for the next four months for employees earning below R6 500 under the Employment Tax Incentive (ETI)*.	More info available at www.treasury.gov.za or www.sars.gov.za Effective 1 April 2020
	Tax-compliant SMEs < R50m	Accelerated payment of employment tax incentive (ETI) reimbursement from twice a year to monthly to get cash into the hands of compliant employers asap.	
	Tax-compliant SMEs < R50m	SMEs will be allowed to delay: <ul style="list-style-type: none"> • 20% of their employees' tax liability over the next four months; and • a portion of their provisional corporate income tax payments without penalties or interest. 	

*Current draft guidelines

- Increasing the maximum amount of ETI claimable during the four-month period (1 April 2020 to 31 July 2020) for employees eligible under the current ETI Act from R1 000 to R1 500 in the first qualifying 12 months and from R500 to R1 000 in the second 12 qualifying months.

Allowing a monthly ETI claim in the amount of R500 during this four-month period for employees earning below R6 500, 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.
- This expansion will, however, only apply to employers who were registered with SARS as at 1 March 2020, and current compliance requirements for employers under sections 8 and 10(4) of the ETI Act will continue to apply.
- "Essential goods" will be subject to a VAT exemption on importation during the Covid-19 pandemic

South African Future Trust (SAFT)

What is available?

- An interest-free, five-year loan to the business entity.
- Exclusively for the purpose of paying employees.
- Repayable at the end of the term.
- No minimum monthly instalments.
- Loan size: R750 per qualifying employee per week for 15 weeks = R11250 per employee.
- No limit in terms of number of employees.

NB:

- All loans will be paid directly into the accounts of the participating employees.
- Employees are not liable for repayment of this loan.

Qualifying criteria

- Any SMME with turnover <R25m per annum.
- Company types: Sole props; partnerships; operating trusts; CC; (Pty) Ltd.
- Trading for 24 months or more.
- In good standing with the statutory creditor.
- Good credit history.
- Impacted by Covid-19.

Supporting information required

- Application form and declaration.
- Annexure A - Employee details.
- Extract of minutes.
- Signed contract (if loan approved).

Debt Relief Finance Scheme

What is available?

Benefitting SMEs: Businesses that are negatively affected, directly or indirectly, due to the Covid-19 pandemic.

Qualifying 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.

Supporting information required

- Proof that the business is negatively affected by Covid-19 pandemic.
- Company statutory documents.
- FICA documents (eg municipal accounts, letters from traditional authority).
- Certified ID copies of directors.
- Three months' bank statements.
- Latest annual financial statements or latest management accounts not older than three months from date of application - where applicable.
- Business profile.
- Six-month cashflow 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.
- Registration on the National SMME Database - <https://smmesa.gov.za>.

How to apply

- Register on <https://smmesa.gov.za>.
- Complete online application form (to be released on Thursday, 2 April 2020).
- Upload required supporting documents.
- Seda will assist micro-enterprises to comply, and request for assistance must be emailed to debtrelief@seda.org.za, whereas small and medium enterprises must ensure own compliance.

Tourism Relief Funding

What is available?

The fund will be administered to benefit SMMEs in all nine provinces and various tourism subsectors. There will be a degree of bias towards rural areas, townships, women, young people, and people with disabilities.

Qualifying criteria

- Formally registered with CIPC.
- Turnover must not be more than R2,5 million per annum.
- Valid tax certificate.
- Proof of minimum wage compliance.
- Must provide proof of UIF registration for employees employed by the business.
- Be an existing tourism-specific establishment as outlined in the scope of application (suppliers and intermediaries are not eligible).
- Must have been in existence for at least one business financial year.
- The relief will be distributed in a spatially equitable manner to ensure that all provinces benefit.
- At least 70% of beneficiaries will be businesses that are black-owned.
- At least 50% of beneficiaries will be businesses that are women-owned.
- At least 30% of beneficiaries will be businesses that are youth-owned.
- At least 4% of beneficiaries will be businesses that are owned by people with disabilities.
- Guaranteed employment for a minimum number of staff for a period of three months.

How to apply

- The eligible businesses must prove that the relief is required as a result of the impact of Covid-19.
- Must submit statements of financial position - over 12 months' bank statements, balance sheet, income statements, cashflow statements.
- Indicate the intended use of the resources.

IDC Covid-19 Essential Supplies Intervention

What is available?

The IDC Covid-19 Essential Supplies Intervention is established to provide funding to companies for the acquisition and/or the manufacturing and supply of essential supplies on an urgent basis to combat the Covid-19 pandemic that is facing South Africa. Financial support to be provided by the IDC includes the following:

- Support for the manufacturing of essential medical products.
- R500 million for trade finance to import essential medical products.
- A short-term loan to companies for once-off contract or import funding.
- Revolving credit facilities.
- Guarantees to banks for banking facilities, imports and ordering requirements.
- Interest rate and pricing:
 - IDC loan and trade finance facilities: P + 1%pa.
 - Guarantees: 2% pa.
- Term limited to a maximum of three months for all facilities.

Qualifying criteria

- Companies that have a track record of manufacturing comparable products, capable of delivering on the contract in terms of capacity, resources and experience.
- For imports - the lack or insufficiency of local manufacturing should be confirmed, and capacity and experience to import at the required scale should be demonstrated.
- Company should be an accredited supplier (where applicable) if contract or purchase order is with government, retailers or multinationals.
- Company should demonstrate profitability as per historical financial statements.
- Contract or purchase order with either the South African Government or a strong customer for essential supplies.
 - In the absence of a contract or purchase orders, a corporate guarantee from a company with investment.

Supporting information required

Documents and requirements to be submitted to callcentre@idc.co.za:

- Applicant's background detailing historical and existing manufacturing, and trading facilities and capabilities (summary of business model, products and why IDC should fund them - commercial merits).
- Letter of standing from the bank (and all other financiers).
- Bank statements for the last 12 months.
- Confirmation and copies of all other financing facilities.
- FICA documentation and PEP status.
- Tax clearance certificate.
- CVs of management
- Financial statements (annual audited or reviewed and interim management accounts not older than two months).
- Analysis of stock, debtors and creditors.
- Budgets including the contract.
- Description of project and products to be manufactured.
- Copy of contract or purchase order from government or reputable strong customer, ie retailer, or multinational.
- Documentary evidence of product accreditation where required by government or customer.
- Quotations to support application of funds.
- Motivation/Validation of applicant's supplier to determine its credibility and ability to deliver the contracted supplies.
- Payment terms of suppliers.
- Supply chain arrangements, ie how the product will be shipped, and after how long.
- Security available.
- Personal balance sheets and balance sheets of guarantor.
- Legal documents (permits, licenses, agreements, MOI, etc).

MCEP Covid-19 Programme

What is available?

The MCEP Covid-19 Programme will focus exclusively on qualifying manufacturing companies that provide essential products that have become scarce due to high demand caused by the outbreak of the Covid-19 pandemic.

Funding will be considered in terms of instruments and pricing as per below:

- Limited to R30 million per applicant in total.
- Priced at a fixed rate of 2,5% per annum.
- Maximum term is 48 months, including moratorium.
- First drawdown must occur within one month from approval date.
- Raising and commitment fees are excluded.
- All other standard fees are applicable.
- Working capital and plant and equipment requirements are what will be provided.
- Funding provided can be stand-alone MCEP funding or blended with IDC.

Qualifying criteria

- Available to companies that have been operational for at least a year.
- Companies must have a valid contract/purchase order or letter of intent.
- Applicable to manufacturers of targeted priority products.
- Companies with BBBEE Level 4 will be encouraged.

How to apply

Documents and requirements to be submitted to callcentre@idc.co.za:

- Applicant's background detailing historical and existing manufacturing, and trading facilities and capabilities (summary of business model, products and why IDC should fund them - commercial merits).
- Letter of standing from the bank (and all other financiers).
- Bank statements for the last 12 months.
- Confirmation and copies of all other financing facilities.
- FICA documentation and PEP status.
- Tax clearance certificate.
- CVs of management
- Financial statements (annual audited or reviewed and interim management accounts not older than two months).
- Analysis of stock, debtors and creditors.
- Budgets including the contract.
- Description of project and products to be manufactured.
- Copy of contract or purchase order from government or reputable strong customer ie retailer, or multinational.
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- Payment terms of suppliers.
- Supply chain arrangements, ie how the product will be shipped, and after how long.
- Security available.
- Personal balance sheets and balance sheets of guarantor.
- Legal documents (permits, licenses, agreements, MOI, etc).

Training Layoff Scheme

What is available?

Companies facing economic distress and contemplating retrenchments have an option to consider training layoffs, which are financed by the NSF and SETAs. Companies would keep the staff in employment during the economic downturn, but re-skill them as an investment for the future economic recovery. A training layoff is a temporary suspension of an employee or group of employees and that period is used for training purposes. A training allowance is paid to the employee instead of their normal wage.

- The training allowance may be up to 50% of the worker's normal wage up to a maximum of R6 239,00 per month or R1 440,00 per week.

Qualifying criteria

To qualify there must be full layoff lasting a continuous period of at least four weeks or partial layoff (short-term) lasting at least two days a week (or 16 days) and contemplated to last for at least eight weeks.

The scheme is limited to:

- employers facing economic distress and contemplating retrenchment of workers;
- employers that are in the position to benefit from the short-term relief and re-absorb workers at the completion of the layoff training;
- employers that are compliant with statutory obligations; and
- employers whose workers are earning up to R180 000 per year (this threshold is flexible, but the training allowance cap is not) and who may be at risk of retrenchment are eligible, subject to certain conditions.

Supporting information required

- TERS terms and conditions
- TERS request to participate
- TERS agreement to participate
- List of employees identified to participate

How to apply

To participate, the CCMA must be approached either directly by the employer or the process can emerge as an alternative to retrenchment during a CCMA process.

If the CCMA commendation is positive, it facilitates the process to conclude a Training Layoff Agreement.

- The Training Layoff Agreement is perused for compliance and then forwarded, along with the advisory award and other documents, to the DoL Committee and the affected SETA.
- The DoL Committee considers the CCMA's recommendation and funds the cost of the training, which funds are transferred to the SETA.
- The SETA facilitates the provision of training for workers participating in the scheme. They engage with individual companies regarding type, cost, provider and duration of training and apply to the DoL Committee for funding of the training allowances.
- The SETA transfers the funds to employers and training providers (which funds were received from the DoL Committee).

COVID-19: A SURVIVAL GUIDE FOR SMEs

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