

PRESIDENT RAMAPHOSA ANNOUNCES UNPARALLELED ECONOMIC AND SOCIAL SUPPORT PACKAGE IN LIEU OF COVID-19 PANDEMIC AND EASING OF LOCKDOWN RESTRICTIONS

According to the experts, the COVID-19 pandemic will change the economic and financial order forever. During the 4th week of nationwide lockdown, President Ramaphosa again addressed the nation in this respect, this time to announce and elaborate upon an unprecedented coronavirus support package aimed at providing further financial and social relief on top of the existing relief measures already implemented by the government and to further announce the easing of the current lockdown restrictions. Herewith all you need to know about the new budget / package which stands at the center of the second phase of the government's economic response to stabilize the economy, address the extreme decline in supply and demand, protect jobs and the process to be followed in order to recover economic activity.

HOW MUCH ARE WE TALKING?

In the President's own words, "the scale of this emergency relief program is historic", and amounts to R500 billion, comprising about 10% of the country's GDP.



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WHO IS PAYING FOR IT?

Of the R500 billion allocated to the support package, R130 billion will come from reprioritising funds from the country's existing budget. The remaining R370 billion will be funded externally by domestic and international lenders, among others, the World Bank, the BRICS New Development Bank, the African Development Bank and the International Monetary Fund. The International Monetary Fund and The World Bank have been approached for the bulk of the funding as these institutions have made low interest loans available specifically for COVID-19 relief.

HOW WILL THE FUNDS BE DISTRIBUTED?

- 1) R200 billion will be allocated towards a loan guarantee scheme in a bid to help companies with operational costs, salaries, rent and payment of their suppliers. The scheme is set up to be able to support over 700,000 firms and more than 3 million employees during its initial phase.
- 2) R50 billion will be used to create a 6-month coronavirus grant:
 - Child support grant beneficiaries will receive an additional R300 in May and from June to October, an extra R500 per month.
 - All other grant beneficiaries will receive an additional R250 per month for a period of 6 months.
 - A distress grant of R350 for the next 6 months will be paid to unemployed individuals who do not currently receive / qualify for any grants.
- 3) R20 billion will be set aside to fund the health response to fight COVID-19 and go toward medicines, staff, community screening, ventilators, additional hospital beds, among other things.
- 4) Government is rolling out additional tax relief measures that will result in at least R70 billion in cash flow relief or direct payments to businesses and individuals.
 - a. There will be a four-month holiday for companies' skills development levy contributions and also a delay in filing and payment of carbon tax;

- b. VAT refunds will be fast-tracked;
 - c. The proportion of PAYE payments that can be deferred will be increased to 35%;
 - d. There will be no penalties on late payments if the taxpayer can prove that they were disadvantaged by the pandemic;
 - e. Businesses with a turnover of more than R100 million a year can apply directly to SARS on a case-by-case basis for deferrals of their tax payments;
 - f. There will be an increase in the turnover threshold for tax deferrals to R100 million per year;
 - g. Taxpayers who donate to the Solidarity Fund will qualify for a tax break.
- 5) R100 billion will be allocated to protecting existing jobs and utilized to create new jobs.
- 6) R40 billion will be set aside as income support payments for workers whose employers are unable to pay their wages.
- 7) R100 million has already been made available to small, medium and micro enterprises, spaza shop owners and other informal businesses in the form of loans, grants and debt. A further R2 billion will be made available to assist small businesses, spaza shops and other informal businesses.
- 8) R20 billion will be allocated to municipal funding in order to enable local government to supply emergency water, increased sanitation of public transport and facilities and food and shelter for the homeless.
- 9) The Department of Social Development, various NGO's and the Solidarity Fund will distribute 250,000 food parcels across the country in the following two weeks.
- 10) R162 million has been approved by the Industrial Development Corporation to support companies in the procurement and / or manufacturing of personal protective equipment.

EASING OF LOCKDOWN RESTRICTIONS

A risk adjusted strategy will be implemented as of Thursday, 30 April to allow for a gradual and phased recovery of economic activity. The approach will include the phasing in of five coronavirus levels.

Level 5 will consist of drastic measures aimed at limiting the spread of the virus to save lives.

Level 4 will allow for certain activities to resume but under strict precautions to limit the transmission and outbreak of the virus within communities.

Level 3 includes a further relaxation on restrictions, including work and social activities, in an effort to address the high risk of transmission.

Level 2 includes a further easing of restrictions with social distancing still being a requirement in order to prevent a resurgence of the virus.

Level 1 will allow for most normal activities to continue but under strict precautions and guidelines which are to be followed at all times

There will be a national level and a separate level for every province, district and metro in the country. The country is currently at level 5 with stringent restrictions to curb the spread of the virus

Different parts of the economy will be classified according to their risk of transmission for the particular sector, the impact of the lockdown for the sector, the contribution made by the sector to the economy and the effect on livelihood. The respective ministers of every sector will give a detailed briefing indicating the effects at each level. Industry bodies will be given an opportunity to make a consideration and contribution before the final regulations are gazetted.

With effect from the 1st of May, the coronavirus level will be lowered to level 4 and the following measures will apply:

Certain activities will be permitted to resume but under strict conditions and certain businesses will also be permitted to open for business but under a strict set of rules, in a phased manner by first preparing the workplace to commence with operations and the return of workers in no more than a third of the total workers.

Businesses will be encouraged to continue to work from home where possible. A phased re-opening of schools will also be introduced by the relevant minister providing the process to be followed.

Borders will still remain closed and travelling between provinces is still not encouraged unless under exceptional circumstances.

Public transport will continue to operate with a limited number of passengers and strict conditions requiring passengers to wear masks.

People who are considered high are encouraged to stay at home and maintain social distancing. All gatherings will remain prohibited save for exceptional circumstances such as funerals and additional goods will be added to the current list of goods which may be sold.

WHICH SECTORS OF THE ECONOMY WILL BE ALLOWED TO OPERATE DURING LEVEL 4?

1. All essential services.
2. Food retail stores will be permitted to sell full line products within their existing stock.
3. The agriculture industry.
4. Global business services for export markets.
5. Financial and professional services.
6. Forestry, mining, pulp and paper sector.
7. Postal and telecommunications services.
8. Fibre optic and IT services.
9. Formal waste recycling