7 April 2020

Dear member

IMPORTANT ANNOUNCEMENT: FINANCIAL SUPPORT/RELIEF FOR MEDIUM, SMALL AND MICRO BUSINESSES

In these uncertain and unprecedented times many of our members are feeling extremely anxious about what the future holds and what business is going to look like post lockdown.

A range of measures from government, banks, and private business are available to South African businesses to attempt to assist with the adverse effects arising from what is already a crippling corona-induced economic crisis.

These relief measures range from loans to tax breaks. Most of them are specifically aimed at getting small to medium businesses, in particular, through the next few months. With many of the RMI's Members being medium, small or micro enterprises, several of the above mentioned relief measures are available to you.

In order to give our members the best chance of obtaining some form of financial relief/support we have attempted to summarise the information currently available under the following sections:

1. Government support programmes
2. South African Revenue Services support programmes
3. Private support programmes
4. General support programmes
5. Department of Labour support programmes

In addition to these measures, the RMI has released a statement today appealing to Government to find an alternate funding mechanism/ capital injection for all of our members. We will update you on progress in this regard.

1. GOVERNMENT SUPPORT PROGRAMMES

1.1 SMME relief finance facility (SMMERF)

In terms of this facility there will be financial assistance available for a 6 month period. Applications can be made on www.smmesa.gov.za.
There are various documents that are required to be submitted, these include, but are not limited to, bank statements, management accounts, cash flow forecasts etc. A full list of the required documents can be obtained from http://www.dsbd.gov.za/wp-content/uploads/2020/03/SMME-Debt-Relief-Scheme-1.pdf. To qualify, the business must be registered with CIPC as a company, Closed Corporation or a micro, small and

medium enterprise that is 100% owned by South African shareholders and its employees are 70% South African citizens.
The company must also be able to show that there has been a direct financial impact due to the COVID-19 pandemic. The business must be completely tax compliant and registered with the department of labour for UIF.

1.2 Business growth and resilience facility (BGRF)
This fund is targeted at businesses that supply certain products which are needed to manage the COVID-19 pandemic. **It is specifically for Businesses geared to take advantage of supply opportunities resulting from the Coronavirus pandemic or shortage of goods in the local market**. Applications for the relief are administered on www.smmesa.gov.za and currently open. The BGRF will offer working capital, stock, bridging finance and equipment finance. The criteria to apply are the same as the SMMERF fund and the documentation needed can be found at http://www.dsbd.gov.za/wp-content/uploads/2020/03/SMME-Business-Growth-Resilience-Facility.pdf. Here again, to qualify, the business must be registered with Companies and Intellectual Property Commission(CIPC) as a company or Closed Corporation, 100% owned by South African shareholders and its employees are 70% South African citizens. The business must be completely tax compliant and registered with the Department of Labour for UIF.

2. SOUTH AFRICAN REVENUE SERVICES SUPPORT PROGRAMMES

2.1 Deferral of 20% PAYE payments
Currently, PAYE withheld on employees' salaries is payable by the 7th (or closest working day) of the subsequent month. Recently the South African Revenue Services (SARS) have announced that employers can delay the payment of 20% of this amount at no interest or penalties. The amount that is held back is payable in six instalments commencing August 2020. The relief is not a write-off of PAYE debt but effectively an interest-free loan based on the PAYE obligations.
This relief however depends on businesses keeping the employees on the payroll and them not being moved onto the UIF TERS program.

2.2 Reduction and deferral of provisional tax payments
SARS has announced that companies with a turnover of under R50 million and that are tax compliant can defer the payment of a portion of the first and second provisional tax liability to SARS, without penalties or interest for the late payment of the deferred amount. First provisional tax periods ending on or after 1 April 2020, but before 1 October 2020, and to second provisional tax periods ending on or after 1 April 2020, but before 1 April 2021. The first provisional tax payments falling due within the period 1 April 2020 to 30 September 2020 will only be based on 15% (previously 50%) of the estimated total tax liability. The second provisional tax payments falling due within the period 1 April 2020 to 31 March 2021, will be based on 65% (previously 100%) of the estimated total tax liability. Any shortfall becomes due in the third provisional tax payment and interest would accrue from that date on any underpayment.

2.3 ETI assistance

The ETI (Employment Tax Incentive) rebate / grant programme is a programme aimed at youth employment. Employers get a rebate for each employee aged between 18 and 29 years of age and earning between R2 000 and R6 500. This is currently paid out twice a year. SARS have announced that they will accelerate the pay-out of the rebate between 1 April 2020 and 31 July 2020 to be monthly. If the ETI rebate exceeds the PAYE due, SARS will refund employers. Employers must be tax compliant to qualify for the ETI relief. In addition, government proposes expanding the ETI programme for a limited period of four months, beginning 1 April 2020 and ending on 31 July 2020, as follows:

- Increasing the maximum amount of ETI claimable during this four-month period for employees eligible under the current ETI Act from R1 000 to R1 500 in the first qualifying twelve months and from R500 to R1 000 in the second twelve qualifying months.
- Allowing a monthly ETI claim in the amount of R500 during this four-month period for employees from the ages of 18 to 29 who are no longer eligible for the ETI as the employer has claimed ETI in respect of those employees for 24 months; and
- 30 to 65 who are not eligible for the ETI due to their age.

Effectively any tax compliant business who has an employee earning between R2 000 and R6 500 qualifies for a R500 subsidy each month, in addition to any current ETI claims.

3. PRIVATE SUPPORT PROGRAMMES

3.1 South Africa Future Trust (SAFT) (Oppenheimer fund)

Nicky and Jonathan Oppenheimer have pledged R1 billion to support small, medium and micros enterprises. The South African Future Trust (SAFT) was formed with an initial R1 billion in support. SAFT will transfer funds directly to employees of participating SMMEs via interest-free loans where employees themselves carry no liability.

Any loans which are repaid to the SAFT will be used to support initiatives that focusses on employment creation until all funds are disbursed. At present, the scheme is only available to clients of ABSA, FNB, Nedbank and Standard Bank and the purpose is to subsidise the employees' salaries which reduces the cash flow constraints employers are facing during the COVID-19 crises.

Applications are currently opened and more information is available on https://opp-gen.com/saft/.

3.2 Sukuma Relief Programme:

The Rupert Family and Remgro Limited have formed a trust with an initial donation of R1 billion together with donations from private individuals. The funds will be administered by Business Partners, for free. The Sukuma Relief Programme offers distinct and separate financial aid to formal sole proprietors on the one hand, and close corporations, companies, and trusts on the other.

The application process and the funding platform can be accessed at https://finance.businesspartners.co.za/.

For close corporations, companies, and trusts, they offer financial aid in the form of an unsecured loan of between R250, 000 and R1 million coupled with a non-repayable grant of R25, 000 per qualifying business. The loan portion will be interest free for 12 months

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

The business must show that it was affected by the COVID-19 disaster resulting in a decline in revenues, while still having to pay overheads such as salaries and rent. The businesses also need to meet the following criteria:

- South African owned;
- SME
- Tax compliant
- Have annual financial statements
- A three-month bank statement
- Proof of the employment of employees
- Rent statement
- Supporting documentation showing how the business is in distress as a result of COVID-19

The funds would also be available to formal sole proprietors which most other funding do not include.

For formal sole proprietors, they offer a **grant of R25, 000** per qualifying business to be used to pay for overheads
To qualify for aid, the formal sole proprietor must:

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

You can expect to receive the financial aid within **7 working days** of your application for both categories. The timeframe is, however, dependent on you submitting all the required information. Once approved, your first payout will be made within **7 working days** of your application. Thereafter, your approved financial aid will be disbursed over **a period of 3 months**, subject to you submitting documents monthly which support your continued need for financial aid.

Please be advised that due to over subscription to this fund all applications have currently been suspended. It has been reported that Business Partners had to close the online application portal as the programme was already severely oversubscribed. BUSINESS/PARTNERS will assess the already received applications over the next seven days. If there is capital available, in the case that some applicants could not be verified or approved, then the programme will be opened for applications again. We will keep you updated in this regard, however we encourage members to continue to attempt to register on the site for financial assistance

4. ***GENERAL SUPPORT PROGRAMMES:***

4.1 BANKS:

The country's four full-service banks have all announced relief measures for personal and business customers impacted by the COVID-19 outbreak and nationwide lockdown.

Standard Bank, Nedbank, ABSA and FNB are all offering some form of debt relief in either reduced or delayed payments of various forms of debt obligations. It is important to note though that there is no actual debt write off through this process, it's merely a delay in the obligation to make the payment.
Therefore if for example, you have a bond you would possibly get a debt holiday for three months (depending on your bank). At the end of the three months, you would owe the bank the capital amount together with the some of the 3 months instalments and the interest would be calculated, on a compounding basis, on that figure.
It would be best to contact your bank and enquire exactly what relief is available to you and exactly what process to follow, who qualifies, the criteria and how to do it, however care should be taken as to the impact of capitalized interest during payment holidays, as it is tantamount to the eventual payment of interest on interest.

If you have a loan or a credit card payment you are struggling to pay, it may be better to talk to you bank about Credit Life Insurance. All new personal loans taken out in South Africa since August 2017 are covered by extended Credit Life insurance. Credit life is an insurance cover that a consumer is compelled to take up when applying for a credit card or a loan. For employed people, it covers the monthly instalments of up to 12 months in the case of loss of income/retrenchment, short time and compulsory unpaid leave. It also provides cover of instalments for up to 12 months in the case of temporary disability. In the case of permanent disability and death, the outstanding balance of the credit facility is settled.

Loan or credit card customers who qualify should use their Credit Life insurance policy to cover their full monthly repayments on their loan for up to 12 months.

5. DEPARTMENT OF LABOUR SUPPORT PROGRAMMES

5.1 COVID-19 temporary employee/employer relief scheme (TERS)

The scheme is intended to provide emergency relief to enable employers to pay employees who are temporarily laid off due to the COVID-19 crises.
The key benefits are:

- It is different to the normal UIF benefits and cannot be claimed at the same time as reducing working time benefits, but can be done as a top-up to any existing salary payments,
- The claim is for all employees regardless of how long they have been employed,
- The business must have been closed due to the COVID-19 pandemic,
- The pay-out can be done directly to the employees or the employer and the application process is all done via email to Covid19ters@labour.gov.za.
- The estimated benefit will be calculated in terms of the income replacement rate sliding scale of 38% (for high earners) up to 60% (for low earners) as provided in the Unemployment Insurance Act, subject to the maximum threshold which is

currently R17 712. The maximum benefit would, therefore, be 38% of R17 712 = R6 730 a month. The benefits would not be less than the minimum wage.
These benefits are currently available for a three-month period, starting in April.

5.2 UIF short time / reduced working time options

The concept of short time is not new, but there are a few tweaks which have been introduced specifically for the COVID-19 situation.
The key overview of this is:

- The claim is done by the employee and it is subject to the employees' duration of employment as with normal UIF claims,
- The claim is done online but must be submitted with the signed UI-19 form, and proof of banking which may be difficult to source,
- The estimated benefit will be calculated in terms of the income replacement rate sliding scale of 38% (for high earners) up to 60% (for low earners) as provided in the Unemployment Insurance Act, subject to the maximum threshold which is currently R17 712.
- The claim is done online but must be submitted with the signed UI-19 form, UI2.8. UI2.1, Certified copy of ID/Passport, Letter from Employer confirming that they have temporarily laid off due to COVID-19, and proof of banking which may be difficult to source.

How to register and claim UIF electronically:

- Log into and register in order to use the uFiling website and services on www.ufiling.co.za
- Click on Register in the top right corner to review the terms and conditions for use of the portal.
- Complete all the required steps
- You will receive the activation message via your preferred method of contact. Click on the link provided to activate your account.
- Use the username and temporary password provided in the email or SMS to log in to your new uFiling account.
- The System will prompt you to change your password.
- For security reasons you will then have to complete a vetting process by confirming demographic information about yourself, which will be compared to the data available to the Department of Labour
- Once vetting is passed you will be directed to a page where you can update your personal details before you can proceed to the uFiling website
- Thereafter , Click on Benefit Application and Payments and then click on 'Apply for Benefits'
- Accept terms and conditions to proceed. .Click on 'Next'.
- Verify your bank details and click on Next to continue or click on Banking Details Incorrect
- Banking details may only be captured once on uFiling system. To update new bank details download the UI2.8 form from the Department of Labour website(www.labour.gov.za)
- Email the completed UI2.8 to Online.BCP@labour.gov.za or fax to email 0864397297(where requesting change of banking details)

- Confirm or update your personal details, including physical and postal addresses and click on next
- Complete the information related to your occupation and qualification and click on next.
- Update your work seeker information and click on ‘submit’ when you are done to send your application to the UIF. You will receive a confirmation message that your application was successful.

We encourage Members that may have become financially distressed during the lockdown period, to make use of the facilities where possible in order to ensure the successful resumption of trading once it has been lifted.

Disclaimer

This document has been collated and distributed to make you aware of the various relief/support packages and financial relief Initiatives, which may be of benefit to your business. It is a reflection of what is available in the media right now and will be updated as and when other initiatives are launched. Although we have taken great care, the document is not intended to be a detailed exposition of the subject matter or to replace professional advice. Consequently, the RMI will not be held liable for inaccuracy of information, or for any action taken or not taken on the strength of this document.