

## **COVID-19: EXPLANATORY NOTE ON TAX RELIEF MEASURES ANNOUNCED BY PRESIDENT RAMAPHOSA IN RESPONSE TO THE COVID-19 DISASTER**

On Sunday, 29 March 2020, the Minister of Finance released details on the proposed tax relief measures as announced by President Ramaphosa last week Monday, 23 March.

These are summarised very briefly below, but please read the [Draft Explanatory Note](#) which includes the background, important requirements and examples.

### **Employment Tax Incentive (ETI) Relief available for a period of four months, from 1 April to 31 July 2020:**

- Increasing maximum ETI currently claimable from R1 000 to R1 500 in the 1st qualifying 12 months and from R500 to R1 000 in the 2nd 12 qualifying months.
- Allowing monthly ETI claim of R500 for employees from the ages of:
  - 18 to 29 who are no longer eligible for the ETI as the employer has claimed ETI in respect of those employees for 24 months; and
  - 30 to 65 who are not eligible for the ETI due to their age
- Accelerating the payment of ETI reimbursements from twice a year to monthly to improve cash flow

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

### **Deferral of portion of PAYE liability for a period of four months (1 April - 31 July 2020), applicable to compliant SMMEs**

- Deferral of payment of 20% of PAYE liability, without interest/penalties for late payment

- The deferred PAYE liability must be paid to SARS in equal instalments over the 6 month period commencing on 1 August 2020; i.e. the first payment must be made on 7 September 2020
- This will apply from the April payroll, payment due by 7 May. There is no relief for the March payment due on April 7 2020
- Interest and penalties will apply if the employer has understated the PAYE liability for any of the four months

**Deferral of portion of provisional tax liability for compliant SMMEs (1 April 2020 - 31 March 2021):**

- Deferral of a portion of the 1st and 2nd provisional tax payment, without penalties & interest for late payment thereof:
  - 1st provisional tax payment due from 01/04/20 - 30/09/20 = 15% x estimated total tax liability
  - 2nd provisional tax from 01/04/20 - 31/03/21 = 65% x estimated total tax liability;
  - Balance to be paid by third provisional tax payment date in order to avoid interest charges
- Interest and penalties will apply in instances where, upon assessment, it is discovered that a taxpayer does not qualify for relief under the proposed amendments

**Important points to note**

- The relief will not apply where the taxpayer is in default in relation to any outstanding returns or outstanding tax debt in terms of the Tax Administration Act, 2011 (the TAA), unless:
  - the taxpayer has entered into any agreement with SARS in terms of sections 167 or 204 of the TAA; or
  - been granted a suspension of debt in terms of section 164 of the TAA; or
  - the amount is less than that as set out in section 169(4) of the TAA
- The deferral of PAYE and provisional tax relates to SMMEs and details of these are provided in the draft explanatory note.
- Regarding the proposal to defer payment of PAYE, the draft explanatory note describes these as businesses with an 'annual turnover' not exceeding R50 million.
- Regarding the proposal to defer payment of provisional tax, the draft explanatory note describes these as any company conducting a trade with an annual turnover not exceeding R50 million and states that the eligibility criteria in relation to individuals carrying on a business is yet to be finalised. It mentions one possibility as being where turnover is less than R5 million and no more than 10% of the turnover is derived from interest, dividends, foreign dividends, rental from the letting of fixed property and any remuneration.