

Relief packages and support to South Africans amid the COVID-19 pandemic

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In recent weeks, the South African Government (“SA Government”) has implemented various interim measures to curb the immediate and longer-term effects of the COVID-19 pandemic on businesses and individuals.

Relief and/or interim measures are not available for all sectors at present. However, banking, property and many other sectors (other than retail assets) can likely expect future measures put in place to assist in curtailing the effects of the COVID-19 pandemic on sector performance in general

Below are highlights of some interim relief measures currently being implemented by the SA Government and its departments, as well as other initiatives aimed to curtail the effects of COVID-19:

SMMEs	R500 million	Made available by the Department of Small Business Development
	R200 million	Made available by the Department of Tourism
Healthcare	R12 million	Made available by the Department of Science and Innovation
	R500 million	Made available by the IDC
Trade and Industry	R700 million plus R3 billion in the next fiscal quarter	Made available by the IDC
Agriculture and Food	R1.2 billion	Made available by the Department of Agriculture, Land Reform and Rural Development
Black entrepreneurs	R200 million	Made available by the NEF
Labour and Employment	Assistance and relief	Assistance via the UIF benefit scheme
Retail	Exemptions and relief	Made available to qualifying retail tenants
Solidarity Fund	Continuous contribution fund	Made available to assist South Africans affected by the outbreak

Small, Micro and Medium-Sized Enterprises (SMMEs)

The Department of Small Business Development is finalising a “SME Support Intervention” comprised of a Debt Relief Fund and a Business Growth/Resilience Facility to mitigate the impact of the expected economic slowdown on SMMEs in South Africa. The Department has made over R500 million¹ available to the Debt Relief Fund. Discussions are ongoing in relation to an increase to this fund.

- **The Debt Relief Fund** will provide relief for existing debts and repayments. To be eligible for assistance under the Debt Relief Fund, the SMME must demonstrate a direct impact or potential impact of the COVID-19 pandemic on its business operations. The Debt Relief Fund will also assist SMMEs in acquiring raw material and paying labour and other operational costs.
- **The Business Growth/Resilience Facility** was created to enable continued participation by SMMEs in supply value-chains, particularly those that manufacture products locally or supply products currently in demand due to the COVID-19 pandemic, in line with the National Treasury Instruction Note No. 8 of 2019/2020. This facility will offer working capital, stock, bridging finance, order finance and equipment finance. The amount required will be based on the funding requirements of each relevant business.

Hospitality and tourism

The Department of Tourism has made an additional R200 million available to assist SMMEs in the hospitality and tourism sector across all nine provinces and various tourism sub-sectors in the following categories:

- Accommodation;
- Hospitality and related services; and
- Travel and related services.

Preference will be given to SMMEs 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.²

Large enterprises should look to relief measures provided by the UIF’s benefit scheme (as discussed below).

Health

The Department of Science and Innovation has made R12 million available to support research in response to the COVID-19 pandemic and will redirect a further R30 million towards interventions to combat the pandemic.³

Industrial Development Corporation (IDC) Support

The IDC and the Department of Trade, Industry and Competition have compiled a more than R3 billion package⁴ for industrial funding to help vulnerable businesses and fast-track funding to businesses that are considered vital for addressing the impact of the COVID-19 pandemic. This funding is only available to South African-owned businesses.

A significant portion of the funding has been allocated as follows:

¹ Ngalonkulu, M ‘*Unpacking the SMEs funding procedure*’ (27 March 2020) Available at: <https://www.moneyweb.co.za/news/south-africa/unpacking-the-smes-funding-procedure/>

² Media Statement “*COVID-19 interventions for the tourism sector*” (24 March 2020). Available at: https://www.tourism.gov.za/AboutNDT/Ministry/News/Pages/COVID-19_interventions_for_the_tourism_sector.aspx.

³ Nzimande, B ‘*Government’s intervention measures on Coronavirus COVID-19*’ (24 March 2020). Available at: <https://www.gov.za/speeches/response-COVID-19-24-mar-2020-0000>

⁴ Patel, E ‘*Government’s intervention measures on Coronavirus*’ (24 March 2020). Available at: <https://www.gov.za/speeches/minister-ebrahim-patel-government%E2%80%99s-intervention-measures-coronavirus-24-mar-2020-0000>

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- R500 million for trade finance to import essential medical products; and
 - R700 million for working capital, equipment and machinery.

The remaining portion of the funding will be allocated for:

- ensuring food security by prioritizing support to agriculture and food value chains;
- providing working capital to the tourism sector;
- bridging finance to support supply chain interruptions;
- providing working capital to ensure energy security by supporting suppliers of primary energy; and
- providing working capital and bridging finance to SMMEs that provide components to car-makers.

In addition, the IDC is providing a capital allocation of R3 billion in the second quarter of 2020 to support businesses during the COVID-19 pandemic.

Agriculture and food

The Department of Agriculture, Land Reform and Rural Development set aside R1.2 billion to address the effects of the COVID-19 pandemic and ensure sustainable food production. The Department has also made R100 million available to the Land Bank to assist farmers in distress.⁵

National Empowerment Fund (NEF) Support⁶

The NEF is making R200 million in loans available for black entrepreneurs to manufacture and supply a range of medical products, including medical masks, sanitisers, dispensers and related healthcare products (“Priority Products and Services”), to support the healthcare sector during the COVID-19 pandemic. The primary purposes of these loans must be to purchase machinery, equipment and raw materials or to fund other working capital requirements needed to manufacture and supply Priority Products and Services. Each Black-owned business can apply for R500,000 to R10 million of funding. The loans, offered at 0% interest for the first year and thereafter at 2.5% per year, will be repayable over a maximum term of 60 months. Each black entrepreneur must meet the requisite eligibility criteria to qualify for funding.

Labour and employment: Unemployment Insurance Fund (UIF) Support

Following discussions with the Minister of Employment and Labour, the UIF has developed a COVID-19 Temporary Employer-Employee Relief Scheme to assist employers unable to pay the full salaries of any workers sent home during the lockdown. The UIF will not handle claims from individuals during this time, but will instead engage with companies, sectoral associations and bargaining councils.⁷

⁵ Chothia, A ‘SA Lockdown: Food supply sector to remain fully functional’ (24 March 2020). Available at: <https://www.thesouthafrican.com/news/sa-lockdown-food-supply-operational-coronavirus/>

⁶ Media Statement “NEF COVID-19 R200m Fund – March 2020 – R200m set aside for Black Business to fight COVID-19” (26 March 2020). Available at: <https://www.nefcorp.co.za/wp-content/uploads/2020/03/Media-Statement-NEF-COVID-19-R200m-Fund-March-2020-website.pdf>

⁷ Media Statement “COVID-19 Lockdown leave arrangements, and special Labour Inspections, TW Nxesi MP, Minister of Employment and Labour” (28 March 2020). Available at: <https://www.gov.za/speeches/minister-thulas-nxesi-labour-arrangements-during-coronavirus-COVID-19-lockdown-28-mar-2020>.

Retail

The Minister of Trade, Industry and Competition has issued a block exemption (“Block Exemption”) for the Retail Property Sector.⁸ The Block 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 at the request of and in coordination with the Department of Trade, Industry and Competition.

The Block Exemption applies only 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 disaster.

The Block Exemption extends to all of the following South African designated retail tenants, including small and independent retailers, unless otherwise authorised by the Minister or the Competition Commission:

- clothing, footwear and home textile retailers;
- personal care services (such as hairdressers, health and beauty salons); and
- restaurants.

Solidarity Response Fund

The SA Government has set up an independent Solidarity Response Fund (the “Fund”) to alleviate suffering and distress caused by the COVID-19 pandemic and assist South Africans affected by the outbreak. The Fund is independently administered. South African businesses, organisations and individuals, as well as members of the international community can contribute to the Fund.

Details on how to donate are available on the Fund’s website at: www.solidarityfund.co.za.

Taxes

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

The South African Revenue Service will accelerate payments of employment tax incentive reimbursements, so that tax-compliant employers receive them each month (up from twice a year).⁹

Tax compliant businesses with an annual turnover of less than R50 million may delay 20% of their pay-as-you-earn liabilities over the next four months. They will also be eligible to delay their provisional corporate income tax payments without penalties or interest over the next six months.

⁸ COVID-19 Block Exemption for the Retail Property Sector, 2020 Regulations in terms of section 10 (10) of the Competition Act, 1998 (effective as of 24 March 2020 and will remain effective until the national disaster status is rescinded).

⁹ The employment tax incentive (“ETI”) is an incentive aimed at reducing youth unemployment by encouraging employers to hire young workseekers. Employers are incentivised to employ young persons (between 18-29 years of age) in terms of a cost-sharing arrangement with government, by allowing the employer to reduce the amount of Pay As You Earn it is required to pay to the South African Revenue Services by the amount of the ETI. This provides an immediate cash benefit to the employer.

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