GMS Flash Alert

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South Africa - Tax Concessions Announced to Address COVID-19 Impact on Economy

On Monday, 23 March 2020, the president of South Africa announced unprecedented measures in assisting South Africa in its fight against COVID-19.[1] Most notably, a nationwide lockdown effective for 21 days from midnight on Thursday, 26 March 2020. The lockdown will be lifted at midnight on Thursday, 16 April 2020.

Below we highlight key aspects of the president's speech with respect to the taxation measures he unveiled targeting employers and employees.

For the full report, see "Tax and Legal News," a publication of the KPMG International member firm in South Africa.

WHY THIS MATTERS

The measures announced are aimed at preventing millions of South Africans from infection whilst saving the lives of hundreds of thousands of South Africans. The implementation of this safeguard is expected to have an impact on the economy and people's livelihoods.

Taxpayers would generally only be able to benefit from the tax stimuli if taxpayers are compliant. As a result, taxpayers would need to make sure that their tax affairs are up-to-date, in respect of all taxes.

Employers may need to adjust their PAYE processes and methods to account for the new PAYE relief. Withholding and payment with respect to the Skill Development Levy Fund and the Unemployment Insurance Fund may require some adjustment as well.

COVID-19 – The Benefits of Tax Compliance in Unprecedented Times

The president mentioned several mechanisms that could assist in dampening the negative economic impact that the safeguard could have, including the set-up of a SOLIDARITY Response Fund, which could afford organisations and individuals tax-deductible donations in assisting with the fight against the COVID-19 Epidemic.[2] The president went on further to mention certain tax-related mechanisms that could assist businesses given the financial and economic distress in these unprecedented times.

Overview of Measures Proposed

- Tax-compliant businesses with a turnover of less than ZAR 50 million will be allowed to delay 20 percent of their Pay-As-You-Earn (PAYE) liabilities over the next four months and to delay a portion of their provisional corporate income tax payments without penalties or interest over the next six months.
- The South African tax system will provide a tax subsidy of up to ZAR 500 per month for the next four months for those private-sector employees earning below ZAR 6,500 under the Employment Tax Incentive (ETI). The South African Revenue Service (SARS) will also work towards accelerating the payment of ETI reimbursements from twice a year to monthly to get cash into the hands of compliant employers as soon as possible.
- The South African government is exploring the temporary reduction of employer and employee contributions to the Unemployment Insurance Fund (UIF) and employer contributions to the Skill Development Levy Fund (SDL contributions) and to the Commissioner for Compensation for Occupational Injuries and Disease Fund (COIDA contributions).

KPMG NOTE

We are awaiting further details on the package of fiscal measures announced. KPMG in South Africa will endeavor to keep readers of GMS *Flash Alert* apprised of important developments as and when they occur.

FOOTNOTES:

1 Refer to the Statement by President Cyril Ramaphosa on escalation of measures to combat COVID-19 Epidemic at the Union Buildings, Tshwane on 23 March 2020. See: https://www.gov.za/speeches/president-cyril-ramaphosa-escalation-measures-combat-coronavirus-covid-19-pandemic-23-mar .

2 See: http://www.solidarityfund.co.za/ .

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ZAR 1 = EUR 0.057 | ZAR 1 = USD 0.0576 | ZAR 1 = GBP 0.0487 | ZAR 1 = INR 4.39

Contact us

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The information contained in this newsletter was submitted by the KPMG International member firm in South Africa.

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