

NATIONAL ASSEMBLY
QUESTION FOR WRITTEN REPLY
QUESTION NUMBER: 869 [NW1076E]

869. Mr M Bagraim (DA) to ask the Minister of Finance:

- (1) Whether the National Treasury will offer any form of Covid-19 financial and/or other relief to small businesses; if not, why not; if so, what are the relevant details;
- (2) whether the Covid-19 financial and/or other relief will only be allocated to qualifying small businesses according to the Broad-Based Black Economic Empowerment Act, Act 53 of 2003, as amended; if not, what is the position in this regard; if so, (a) on what statutory grounds and/or provisions does he or the National Treasury rely to allocate Covid-19 financial or other relief only to small businesses according to the specified Act and (b) what form of Covid-19 financial or other relief, if any, will be made available to other small businesses?

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REPLY:

- (1) Yes, the President announced financial relief matters by Government to small businesses and individuals on 24 March 2020, two or three days before the first lockdown, and a second round of measures on 21 April 2020. A loan guarantee scheme was launched on 4 May 2020 and amended on 27 July 2020. National Treasury is part of Government, and does not act separately from it, but administers two of these measures whilst other departments administer others. I will deal with these two measures, and not those that are administered by other departments on behalf of Government. Bear in mind that with the totally unexpected COVID-lockdown that the country had to suddenly impose at midnight 26 March 2020, we had to find mechanisms that could reach thousands of businesses quickly, hence the intervention via the tax system and banks.

The first set of measures dealt with a number of tax measures to provide financial relief to small businesses, which were announced by the Minister of Finance on 24 March and 21 April 2020. These include tax deferrals for pay-as-you-earn payments and for provisional income tax payments for businesses with a turnover of less than R100 million, a four-month exemption from the skills development levy and an expansion in the employment tax incentive for four months, which will apply to all employees with a monthly income of up to R6 500. These provisions are included in the Draft Disaster Management Tax Relief Bill and the Draft Disaster Management Tax Relief Administration Bill, which have been passed by the National Assembly. The draft bills can be found at <http://www.treasury.gov.za/documents/National%20Budget/2020S/>.

The second measure is the COVID-19 loan guarantee scheme for eligible small businesses which came into effect on 12 May 2020, details of which were jointly announced by National Treasury, South African Reserve Bank and the Banking Association of South Africa. The loan guarantee scheme is an initiative for banks to provide loans from their own funds to their customers to eligible individuals and businesses, and where the banks take the first set of losses up to 8,5%, with the rest of the losses guaranteed by government. Since updating the initial criteria at the end of July, funds borrowed from banks through this scheme can be used for operational expenses or to restart their businesses as soon as lockdown restrictions applicable to the business is lifted. Loans are capped at R100m per loan and may be offered as syndicated loans by the banks where the loan amount exceeds R50m. Government and commercial banks are sharing the risks of these loans. Initially, the National Treasury has provided a guarantee of R100 billion to this scheme, with the option to increase the guarantee to R200 billion if necessary. It should be emphasized that this is a loan guarantee scheme and not a grant, and that funds for the loans are from participating banks and not Government. It is also the intention of the National Treasury that such lending should not be made recklessly, and that the loans that will be paid back to the respective banks. National Treasury does not intend for the entire R200 billion to be called in full, since it will have a negative impact on the fiscus nor for this or any other scheme to ever cover the full extent of losses incurred by businesses due to the COVID-19 pandemic.

More details on the scheme can be found in a Frequently Asked Questions guide posted at <http://www.treasury.gov.za/>, <https://www.resbank.co.za/Pages/default.aspx> and <https://www.banking.org.za/>

- (2) All businesses that meet the conditions for the loan scheme or the tax relief measures are eligible. The Broad-Based Black Economic Empowerment Act, Act 53 of 2003, as amended, is not applicable for purposes of the eligible criteria.