

**NATIONAL ASSEMBLY
QUESTION FOR WRITTEN REPLY
QUESTION NUMBER: 537 [NW724E]
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537. Dr D T George (DA) to ask the Minister of Finance:

Whether any steps will be taken to mitigate the impact of the COVID-19 pandemic on the Republic's economy; if not, why not; if so, what are the relevant details?

NW724E

REPLY:

Government's economic response has been conducted according to a 3-phase approach. Following the declaration of a state of disaster on 15 March 2020, the National Treasury acted immediately to announce a set of Phase 1 economic measures.

These included:

1. Immediate release of funds to where they were needed, including the immediate release of over R460 million in disaster funding to the Health sector.
2. An Instruction Note 8 of 2019/20 applicable to Public Finance Management Act (PFMA) institutions and a Municipal Finance Management Act (MFMA) Circular 100 for municipalities and municipal entities, **to speed up the procurement of goods/commodities required to reduce and control the spread of the virus.**
3. A first set of **exceptional tax measures as part of the fiscal package.** These measures were over and above the tax proposals made in the 2020 Budget on 26 February 2020. The tax adjustments are made in light of the National State of Disaster and due to the significant and potentially lasting negative impacts on the economy from the spreading of the COVID-19 virus.
4. The Office of the Auditor General announced **a conditional Exemption Notice in order to ensure effective and efficient service delivery and to minimise any potential delay in decision making.** The conditional Exemption Notice will also facilitate and enable legislative processes during the period of the national state of disaster.

5. The National Treasury has also approved or supported the release of fund in several areas to provide economic support. These include the early release of social grants in March 2020, the release of funds for SME and spaza shop support, accelerated payment of wage support through the UIF, and seed capital support (R100 million) for the national Solidarity Fund.

In addition, the South African Reserve Bank (SARB) also took critical measures in the weeks following the state of disaster declaration and the lockdown.

These include:

1. A cumulative 200 basis points reduction in the repo rate.
2. A large injection of liquidity in the financial system, including the purchase of government bonds in the secondary market to ensure there is sufficient liquidity in the bond market.
3. Regulatory changes, including a reduction in capital and liquidity requirements.
4. Issuing guidance to reduce dividends and bonuses among banks.

Subsequent to the above, as part of Phase 2, the National Treasury and the SARB have continued to work together on an additional set of interventions. This culminated in the announcement by President Ramaphosa of a large economic intervention package on 21 April 2020, and a more detailed outline by the Minister of Finance on 24 April 2020. The set of additional measures as part of phase 2, are as follows:

1. Spending and revenue measures:
 - a. Setting aside an amount of R20 billion to be directed to addressing our efforts in dealing with the pandemic.
 - b. Directing R50 billion towards relieving the plight of those who are most desperately affected by the coronavirus. Child support grant beneficiaries will receive an extra R300 in May. From June to October there will be an additional R500 each month. All other grants will be topped-up by R250 per month for six months. We will use our existing system to disburse these grants. In addition, a special Covid-19 Social Relief of Distress grant of R350 a month for the next 6 months will be made available.
 - c. A set of 10 (ten) additional tax proposals:
 - i. An increase in the expanded employment tax incentive amount from R500 to R750 per employee.

- ii. A skills development levy holiday of 4 months from 1 May 2020.
 - iii. Fast-tracking VAT refunds.
 - iv. Deferring the payment of excise duty on alcoholic beverages and tobacco products.
 - v. A three-month deferral for filing and first payment of carbon tax liabilities to 31 October 2020.
 - vi. A postponement of some of the corporate tax proposals in the 2020 Budget on interest expenses and assessed losses.
 - vii. An increase in the deferral of employee's tax
 - viii. An increase in the turnover threshold for automatic deferrals.
 - ix. Increased fiscal backing to individuals who donate to the Solidarity Fund by increasing the deduction available for these specific donations and increasing the limits for payroll giving to the Solidarity Fund – including in determining the monthly withholding of employees' tax.
 - x. Expanding access to living annuity funds by allowing individual to adjust the proportion they receive as annuity income, instead of waiting up to one year until their next contract anniversary date.
2. Additional support to firms through a new R200 billion credit guarantee scheme, jointly backed by the South African Reserve Bank and the National Treasury.
 3. A phased reopening of the economy from 1 May 2020 will begin to reignite economic activity and gradually restore demand and livelihoods.

Beyond the interventions outlined above, the National Treasury is working with partners in government, labor and other stakeholders to move forward with economic reforms, as part of phase 3 of the overall economic intervention.